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Annual Report

Federal Deposit Insurance Corporation

## Mission Statement

The Federal Deposit Insurance Corporation was created by Congress in 1933 to restore public confidence in the nation's banking system following a severe financial crisis.

To maintain public confidence in banking institutions, the mission of the FDIC is to:

- Protect depositors' accounts
- Promote sound banking practices
- Reduce the disruptions caused by bank failures
- Respond to a changing economy and banking system

David Valdez, The White House

# 1991 Annual Report

Treasury Secretary Nicholas F. Brady (left) administers the oath of office to new FDIC Chairman William Taylor in a ceremony with President Bush and Mr. Taylor's wife, Sharon, as participants.

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**FDIC**
**Federal Deposit Insurance Corporation**
Washington, DC 20429

Office of the Chairman

July 20, 1991

Sirs:

In accordance with the provisions of section 17(a) of the Federal Deposit Insurance Act, the Federal Deposit Insurance Corporation is pleased to submit its Annual Report for the calendar year 1991.

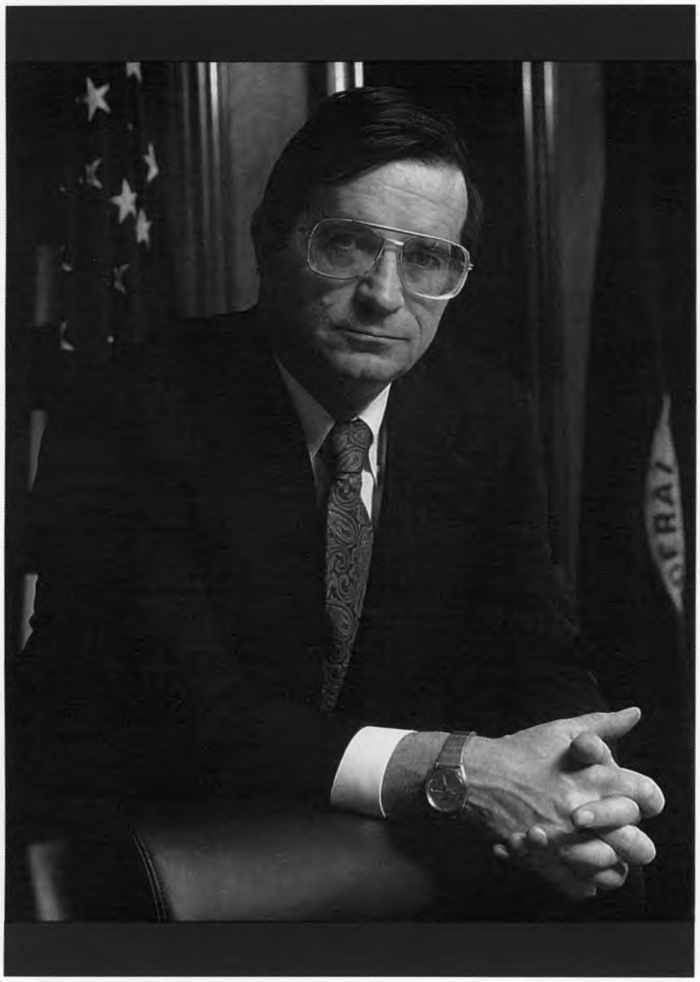
Very truly yours,

**William Taylor**
Chairman

The President of the U.S. Senate

The Speaker of the U.S. House of Representatives

# Chairman's Statement



Barbara Ries

**FDIC Chairman William Taylor**

Nineteen ninety-one may well be remembered as a watershed year in the history of the FDIC. The agency, its personnel, and the deposit insurance system itself were severely tested by the combined effect of a continued high level of bank failures and the precipitous decline of the Bank Insurance Fund (BIF). Throughout the year, the FDIC faced numerous, and often conflicting, challenges. The agency strived to maintain public confidence in the banking industry; to ensure the viability of the deposit insurance system; and to strengthen supervisory controls over risk in the banking system without discouraging the credit flows necessary to sustain economic growth.

These developments fueled public debate over deposit insurance reform issues and focused the attention of Congress and the Administration on the problems facing the FDIC. After a year-long legislative effort to enact needed changes, the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) was signed into law in December. FDICIA, whose implementation will create additional challenges for the agency, will have far-reaching and lasting effects on the FDIC and the banking system.

## Developments in 1991

Pressure on some FDIC-insured institutions continued to be felt throughout the year from the economic slump, over-built and depressed real estate markets, and the ongoing consolidation of the banking industry. While the actual number of failed and assisted banks declined to 127 in 1991, from 169 the previous year, assets in such institutions increased to a record $63.2 billion in 1991, from $15.7 billion in 1990. This increase was mainly due to the failure of several large institutions, including the Bank of New England, Miami's Southeast Bank, and Goldome. Estimated losses to the BIF for banks closed in 1991 also reached a record high of $7.4 billion.

A number of difficult decisions were made in 1991. Among these was the decision to raise the deposit insurance assessment rate from 19.5 cents per $100 in assessable deposits, effective January 1st, to 23 cents, effective July 1st. While the FDIC Board was reluctant to put further pressure on bank earnings, the agency recognized that assessment revenue was not keeping pace with the losses being incurred by the BIF. Insurance losses have exceeded assessment revenue every year since 1983.

Despite the enormous volume of problem-bank assets removed from the system through FDIC resolution and supervision activity in 1991, and some signs that the condition of the banking industry is improving, underlying difficulties continue to trouble the industry. At year-end 1991, about $600 billion in assets were held by problem banks, compared to about $400 billion one year previously. Moreover, bank exposure to weakened real estate markets in several regions of the country remained substantial.

Given these conditions, the agency decided to depart from previous policy, whereby reserves were set aside only for losses in banks virtually certain to fail in the near future. In 1991, the FDIC Board took an aggressive approach and reserved for a higher level of risk to the Fund. Thus, the year-end financial statements reflect a provision for expenses and insurance losses of $16.9 billion, of which $15.4 billion is for contingent losses related to banks that are weak but have not yet failed. As a result, the BIF decreased to a negative $7 billion, the first negative result since the FDIC's founding in 1933.

## FDICIA Highlights

In early 1991, the Treasury Department released a comprehensive study on modernizing the financial system that contained numerous recommendations for restructuring the banking industry and reforming the deposit insurance system. While the resulting legislation failed to contain structural reforms to the banking industry, FDICIA is nevertheless a significant piece of legislation.

In hindsight, it may be seen that FDICIA was written with the regulatory lessons of the past decade in mind. It recognizes that capital and strong prudential supervision are the first lines of defense against bank failures; that weak banks should not be allowed to gamble with insured deposits; and that riskier banks should pay more for deposit insurance.

The most immediate effect of FDICIA was to buttress the deposit insurance system. The FDIC may borrow up to $30 billion from the U.S. Treasury to cover losses in the Bank Insurance Fund. The industry must repay the borrowed amounts over a period not to exceed 15 years. The FDIC also may borrow funds on a short-term basis for working capital.

Other provisions of the new law are aimed at improving the oversight system for the banking industry. Prompt corrective action is the underpinning of new regulations designed to focus regulatory attention on those institutions posing the greatest risk to the deposit insurance system. Bank capital is to be a principal tool in this effort. The FDIC and other federal banking regulators must establish thresholds for a range of capital zones and take specified actions when a bank falls to a lower capital zone. As a bank's capital declines, the required actions become increasingly stringent, ranging from forced shrinkage to early closure.

FDICIA also addressed the much-criticized "too big to fail" concept by requiring the FDIC to resolve all failing banks in the least costly manner possible. Any exceptions to the least costly standard for "systemic risk" situations are to be determined, upon the recommendation of the FDIC and the Federal Reserve Board, by the Secretary of the Treasury in consultation with the President. Thus, the FDIC no longer has the sole responsibility for deciding that the failure of a large bank might be so disruptive as to require special handling.

## Looking Ahead

While many necessary steps were taken during 1991 to strengthen the BIF and to improve the safety and soundness of the banking industry, much remains to be done. The writing of regulations to implement FDICIA will occupy much of 1992. An important feature of the new legislation is the requirement that the FDIC develop and implement a system of risk-related insurance assessments by January 1, 1994. The agency plans to move expeditiously to implement the first departure from a flat-rate assessment schedule in its 58-year history. This system of flat-rate premiums has been criticized for encouraging excessive risk-taking by insured institutions and inequitably distributing the burden of insurance losses among banks.

Throughout the Corporation, a variety of approaches and techniques to limit the cost of bank resolutions and the disruption of local markets in communities impacted by banking industry difficulties also are being examined. Disposing of assets from failed banks presents a continuing challenge. Keeping assets in the private sector is a significant consideration in the search for new and innovative ways to handle banking industry difficulties.

In the supervisory area, the FDIC will continue to seek the correct balance between protecting the deposit insurance fund by controlling risk-taking, and allowing healthy banks to perform their role in facilitating economic growth. The tools given to us in FDICIA will enable us to protect the insurance fund more effectively. At the same time, however, we must remain cognizant of the regulatory burden placed on the banking industry and use these tools in a way that does not stifle banks' abilities to serve their customers.

The foundation for a healthy industry rests in large part on our continued efforts in these areas. The reserves set aside by the FDIC this year reflect the prudence required of an insurance agency. But prudence does not imply pessimism, and I am hopeful that the recent signs of improvement reflect a return to conditions under which safe and sound banking goes hand-in-hand with profitable banking.

## Concluding Thoughts

In recent years, the FDIC and the banking industry have faced a series of challenges. Bank failures over the last eight years have been higher than at any time since the height of the Great Depression. Yet, it is a testament to the deposit insurance system and the staff of the FDIC that these challenges were met in such a way as to maintain public confidence in our financial system.

Through this period of uncertainty, my appreciation has grown for the important and vital job performed daily by the Corporation's employees. These include bank examiners who walk the line between safe and sound banking and choking off credit; and liquidators who must convert properties to cash quickly without dumping in fragile markets, while at the same time attempting to maximize value. Throughout the Corporation, there are untold examples of men and women who are under constant pressure to use sound judgment in making difficult decisions. I commend the FDIC's employees for the important public service they perform.

**William Taylor**

# Board of Directors


Barbara Ries

**FDIC Board of Directors**

front (l-r)

**C.C. Hope, Jr.**
**Director**

**William Taylor**
**Chairman**

rear (l-r)

**Andrew C. Hove, Jr.**
**Vice Chairman**

**Robert L. Clarke**
**Comptroller of the Currency**

**Timothy Ryan**
**Director**
**Office of Thrift Supervision**

## William Taylor

William Taylor became the 15th Chairman of the Federal Deposit Insurance Corporation on October 25, 1991. He succeeded L. William Seidman, whose six-year term as Chairman expired October 16, 1991.

Mr. Taylor spent most of his professional career with the Federal Reserve System. Prior to his appointment to the FDIC, Mr. Taylor was Staff Director of the Federal Reserve Board's Division of Banking Supervision and Regulation.

A Chicago native, Mr. Taylor joined the Federal Reserve Bank of Chicago as a bank examiner in 1961 after graduating from Cornell College in Mount Vernon, Iowa. In 1968, he joined Chicago's Upper Avenue Bank as Vice President in charge of lending. In 1972, he became Manager of the Chicago office of James W. Rouse and Company, a real estate development and mortgage banking firm.

Mr. Taylor returned to the Federal Reserve System in 1976 as Chief of Financial Institutions Supervision in the Division of Banking Supervision and Regulation. He became Assistant Division Director in 1977, Associate Director in 1979, Deputy Director in 1983, Director in 1985 and Staff Director in 1987. He also served in 1990 as Acting President of the Resolution Trust Corporation Oversight Board.

## Andrew C. Hove, Jr.

Andrew C. Hove, Jr., became the FDIC's first Vice Chairman on July 23, 1990. Prior to his FDIC appointment, Mr. Hove was Chairman and Chief Executive Officer of the Minden Exchange Bank & Trust Company, Minden, Nebraska, where he served in every department during his 30 years with the bank.

Mr. Hove also served as President of the Nebraska Bankers Association in 1984-85 and held other leadership positions in the organization, including President of the Nebraska Bankers Insurance & Services Company and membership on the executive council. Mr. Hove also was active in the American Bankers Association.

Also active in local government, Mr. Hove was elected Mayor of Minden from 1974 until 1982, and was Minden's Treasurer from 1962 until 1974. Other civic activities have included: President of the Minden Chamber of Commerce, President of the South Platte United Chambers of Commerce and positions associated with the University of Nebraska.

He earned his B.S. degree at the University of Nebraska-Lincoln. He also is a graduate of the University of Wisconsin-Madison Graduate School of Banking. After service as a U.S. Naval Officer from 1956-60, including two years as a pilot, Mr. Hove was in the Nebraska National Guard until 1963.

## C.C. Hope, Jr.

C.C. Hope, Jr., was named to the FDIC Board of Directors on March 10, 1986, confirmed by the Senate on March 27 and commissioned by President Ronald Reagan on April 7, 1986. He also is Chairman of the Neighborhood Reinvestment Corporation. Before his appointment to the FDIC, Mr. Hope spent 38 years at First Union National Bank of North Carolina in Charlotte, where he retired as Vice Chairman in 1985.

Mr. Hope is a former President of the American Bankers Association and has served as Secretary of the North Carolina Department of Commerce. In the field of education, Mr. Hope is a trustee and former Chairman of the Board of Wake Forest University and was Dean of the Southwestern Graduate School of Banking at Southern Methodist University.

He holds a B.A. in Business Administration from Wake Forest University and has completed graduate work at the Harvard Business School and The Stonier Graduate School of Banking at Rutgers University.

He served in the U.S. Navy in World War II and received a battle star for the Battle of Okinawa.

## Robert L. Clarke

Robert L. Clarke became the 26th Comptroller of the Currency and a member of the FDIC's Board of Directors on December 2, 1985.

Before his appointment, Mr. Clarke founded and headed the banking section at the Houston, Texas, law firm of Bracewell & Patterson. He joined that firm after completing his military service in 1968. The banking section prepared corporate applications and securities registrations, counseled management in expansion opportunities and the effects of deregulatory initiatives, and represented institutions in enforcement matters.

Mr. Clarke holds a B.A. in Economics from Rice University and an L.L.B. from Harvard Law School. He is a member of the bars of Texas and New Mexico. He has served as a director for two state banks and has been active in a number of civic, political and professional organizations.

## Timothy Ryan

Timothy Ryan was sworn in as Director of the Office of Thrift Supervision (OTS) on April 9, 1990, after being nominated by President Bush and confirmed by the U.S. Senate. As OTS Director, he is a member of the FDIC's Board of Directors.

At OTS, Mr. Ryan oversees the regulation and supervision of the nation's savings associations and thrift holding companies. OTS, a bureau of the U.S. Treasury Department, was established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 as the successor agency to the Federal Home Loan Bank Board.

Mr. Ryan was a partner and a member of the executive committee of the law firm of Reed Smith Shaw & McClay until his appointment as OTS Director. He was the Solicitor of Labor for the U.S. Department of Labor from 1981 until 1983.

Mr. Ryan received an A.B. degree from Villanova University and a J.D. from American University Law School. He served as an ammunitions officer in the U.S. Army from 1967 to 1970. ❖

## Officials

| | |
|---|---|
| **John F. Bovenzi** | Deputy to the Chairman |
| **Paul G. Fritts** | Executive Director for Supervision and Resolutions |
| **John W. Stone** | Director, Division of Supervision |
| **Harrison Young** | Director, Division of Resolutions |
| **Steven A. Seelig** | Director, Division of Liquidation |
| **Alfred J.T. Byrne** | General Counsel |
| **Stanley J. Poling** | Director, Division of Accounting and Corporate Services |
| **William R. Watson** | Director, Division of Research and Statistics |
| **A. David Meadows** | Deputy to the Vice Chairman |
| **Robert V. Shumway** | Deputy to the Appointive Director |
| **Thomas E. Zemke** | Deputy to the Director (Comptroller of the Currency) |
| **Walter B. Mason** | Deputy to the Director (Office of Thrift Supervision) |
| **Hoyle L. Robinson** | Executive Secretary |
| **Alan J. Whitney** | Director, Office of Corporate Communications |
| **Alice C. Goodman** | Director (Acting), Office of Legislative Affairs |
| **J. Russell Cherry** | Director, Office of Budget and Corporate Planning |
| **Robert D. Hoffman** | Inspector General |
| **Janice M. Smith** | Director, Office of Consumer Affairs |
| **Alfred P. Squerrini** | Director, Office of Personnel Management |
| **Mae Culp** | Director, Office of Equal Opportunity |
| **Jane Sartori** | Director, Office of Training and Educational Services |

# Regional Offices

## Division of Supervision / Regional Directors

**Atlanta**
245 Peachtree Center Ave., NE
Atlanta, GA 30303
(404) 525-0308
**Lyle V. Helgerson**
Alabama, Florida, Georgia, North Carolina, South Carolina, Virginia, West Virginia

**Boston**
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(617) 449-9080
**Paul H. Wiechman**
Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

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Chicago, IL 60606
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**Simona L. Frank**
Illinois, Indiana, Michigan, Ohio, Wisconsin

**Dallas**
1910 Pacific Ave., Suite 1900
Dallas, TX 75201
(214) 220-3342
**Kenneth L. Walker**
Colorado, New Mexico, Oklahoma, Texas

**Kansas City**
2345 Grand Ave., Suite 1500
Kansas City, MO 64108
(816) 234-8000
**Charles E. Thacker***
Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

**Memphis**
5100 Poplar Ave., Suite 1900
Memphis, TN 38137
(901) 685-1603
**Bill C. Houston**
Arkansas, Kentucky, Louisiana, Mississippi, Tennessee

**New York**
452 Fifth Ave., 21st Floor
New York, NY 10018
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**Nicholas J. Ketcha, Jr.**
Delaware, District of Columbia, Maryland, New Jersey, New York, Pennsylvania, Puerto Rico, Virgin Islands

**San Francisco**
25 Ecker Street, Suite 2300
San Francisco, CA 94105
(415) 546-0160
**George J. Masa**
Alaska, Arizona, California, Guam, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, Washington, Wyoming

## Division of Liquidation / Regional Directors

**Chicago**
30 S. Wacker Dr., 32nd Floor
Chicago, IL 60606
(312) 207-0200
**Bart L. Federici**
Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nebraska, North Carolina, North Dakota, Ohio, South Carolina, South Dakota, Tennessee, Virginia, West Virginia, Wisconsin

**Dallas**
1910 Pacific Ave., Suite 1700
Dallas, TX 75201
(214) 754-0098
**G. Michael Newton**
Oklahoma, Texas

**New York**
452 Fifth Ave., 21st Floor
New York, NY 10018
(212) 704-1200
**Thomas A. Beshara**
Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont, Virgin Islands

**San Francisco**
25 Ecker Street, Suite 1900
San Francisco, CA 94105
(415) 546-1810
**Keith W. Seibold**
Alaska, Arizona, California, Colorado, Guam, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming

## Division of Resolutions / Regional Managers

**Boston**
Cochituate Place
24 Prime Parkway
Natick, MA 01760
(508) 655-5352
**Paul M. Driscoll**
Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

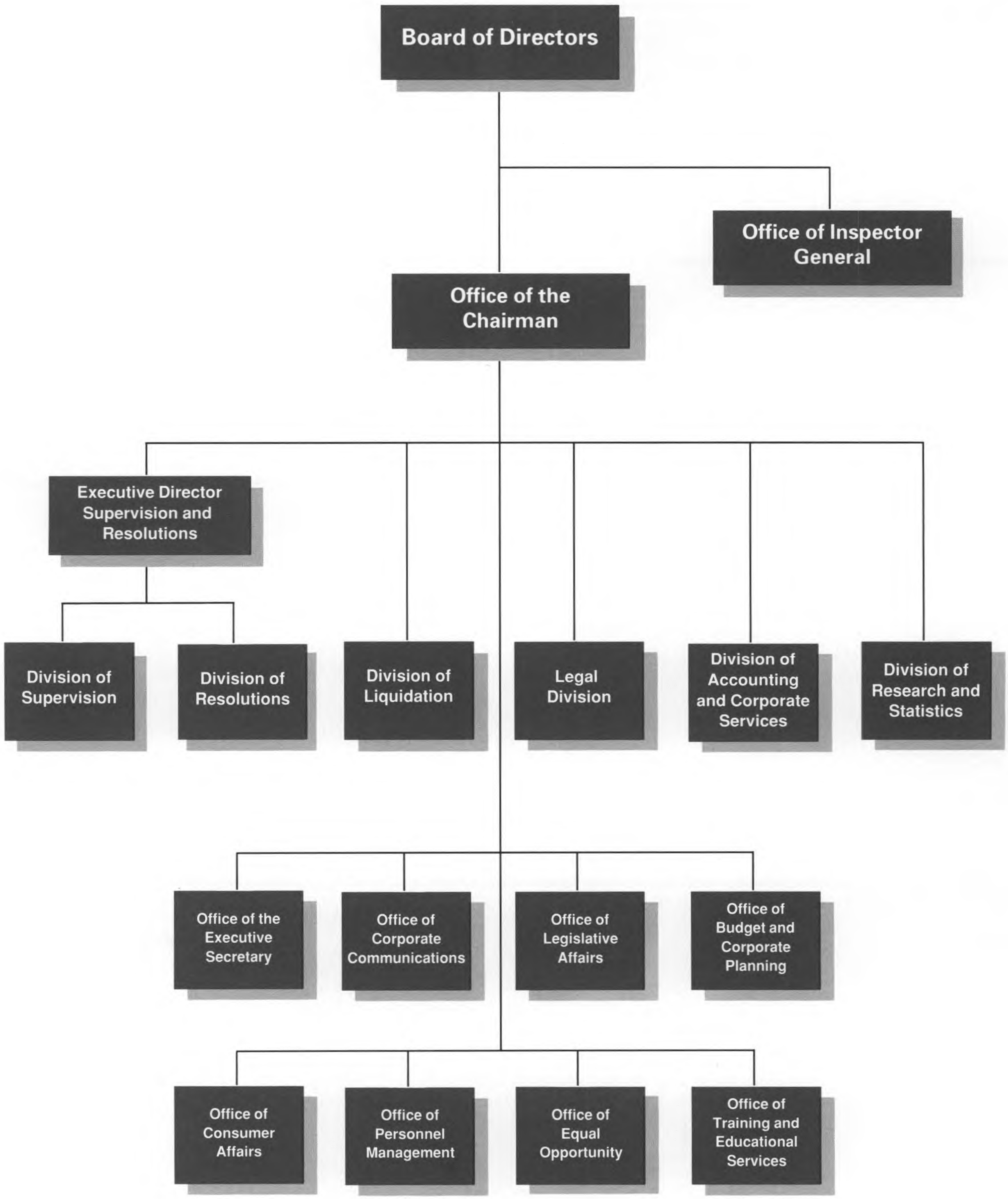
**Dallas**
1910 Pacific Place
Dallas, TX 75201
(214) 220-3449
**Daniel L. Walker**
Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Nebraska, North Carolina, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, West Virginia, Wisconsin

**New York**
120 West 45th Street
Tower 45, 22nd Floor
New York, NY 10036
(212) 921-0044
**Paul F. Doiron**
Connecticut, Delaware, District of Columbia, Maryland, New Jersey, New York, Pennsylvania, Puerto Rico, Virginia

**San Francisco**
25 Ecker Street, Suite 900
San Francisco, CA 94105
(415) 267-0156
**Michael J. Paulson**
Alaska, Arizona, California, Colorado, Guam, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming

*Retired January 3, 1992, and succeeded by James O. Leese.

# Organization Chart



# Divisions and Offices

## Divisions

### Supervision

Examines banks for safety and soundness and compliance with consumer and civil rights laws; develops supervisory policies; examines savings associations on a back-up basis.

### Resolutions

Coordinates the FDIC's response to failed and failing banks, including the development, negotiation and monitoring of all aspects of the resolution process; manages and disposes of equity positions acquired in resolutions; develops related policies and financing strategies.

### Liquidation

Makes payments to closed bank depositors; manages failed bank receiverships; sells assets of failed institutions to reduce costs to the FDIC.

### Legal

Provides the FDIC with legal services in areas including corporate affairs, supervision, enforcement, resolutions of troubled institutions, liquidations and litigation.

### Research and Statistics

Compiles important financial and economic data and surveys, including industry trends, market developments and analyses of policy issues.

### Accounting and Corporate Services

Supports the FDIC's financial and administrative needs nationwide, including accounting, financial systems, computer operations and other business service operations.

## Offices

### Executive Secretary

Processes over a thousand matters each year for the FDIC Board and its committees; ensures compliance with various public disclosure laws; implements employee ethics programs.

### Corporate Communications

Serves as the FDIC's information liaison with the media, depository institutions and the general public; issues publications, press releases and directives to institutions.

### Legislative Affairs

Promotes legislation important to the FDIC; helps prepare testimony for the Chairman and other FDIC officials; serves as the agency's congressional liaison.

### Budget and Corporate Planning

Coordinates agency-wide processes for resource strategy, allocation and management; conducts productivity studies for senior managers; handles special projects on budget performance and the use of corporate resources.

### Inspector General

Conducts independent audits and investigations to safeguard assets and detect fraud and mismanagement; provides reports to the FDIC's Board, agency managers and Congress.

### Consumer Affairs

Handles complaints and inquiries from consumers and bankers; monitors the adequacy of compliance with consumer protection laws; helps train examiners and bankers on consumer protection laws and deposit insurance; provides consumer information publications.

### Personnel Management

Plans, implements and evaluates FDIC personnel management programs, including recruitment and staffing, personnel policies and procedures, labor-management relations and employee benefits.

### Equal Opportunity

Manages the agency's affirmative employment programs for minorities, women and people with disabilities; helps provide equal employment training to employees; administers the minority and women's outreach program for FDIC contracting.

### Training and Educational Services

Plans and manages the FDIC's extensive educational and training programs to help employees realize their full potential in the workplace.

# The State of the Banking Industry

Commercial banks insured by the Bank Insurance Fund (BIF) registered increased profits in 1991, although there were still segments of the industry experiencing credit quality problems associated with real estate lending. BIF-insured savings banks continued to struggle with troubled real estate assets. The following is an overview of conditions in these two industries.

## Commercial Banks

Thanks to a modest improvement in asset quality and strong second-half earnings, insured commercial banks reported $18.6 billion in net income in 1991. That is a $2.4 billion improvement over their earnings in 1990.

Increased net interest income and substantially larger gains from sales of investment securities combined to offset high loan-loss provisions in 1991. The average return on assets for the year was 0.56 percent, up from an average of 0.49 percent in each of the previous two years. More than 89 percent of commercial banks were profitable in 1991, the highest proportion since 1982. Almost two out of every three banks reported higher earnings than in 1990.

Despite these positive signs, problems remain. While noncurrent loans in the industry fell slightly, this was due in part to increased foreclosures on these loans. The record level of foreclosures also resulted in a large increase in banks' holdings of foreclosed properties, so that the industry's total inventory of troubled assets increased for the year. Assets in banks considered to represent significant risk to the insurance fund increased substantially in 1991. Banks continue to have significant exposure to weakened real estate markets. At the end of the year, commercial banks held almost $400 billion in loans secured by commercial real estate and construction. These loans are of considerable concern because of the continued repercussions of the overbuilding of commercial properties in the 1980s.

Asset growth was extremely weak in 1991. Total assets at insured commercial banks grew by only 1.2 percent, the smallest percentage since 1948, when assets declined by 0.4 percent. Total loans and leases held by commercial banks declined in every quarter of the year, reflecting asset-quality troubles and slack loan demand. Most of the loan shrinkage was in banks' commercial and industrial loans, which declined by $56 billion. Total real estate loans at commercial banks grew by only $21 billion in 1991, after increasing by $68 billion in 1990 and $86 billion in 1989. The only asset categories to show significant growth were U.S. Treasury and mortgage-backed securities, which increased by $91 billion.

Commercial banks increased their equity capital by $13.5 billion in 1991. This increase raised their average equity-to-assets ratio to 6.77 percent, the highest year-end level since 1971, when it stood at 6.93 percent. Retained earnings contributed only $4.3 billion of the $13.5 billion increase, as banks paid $14.3 billion in dividends on $18.6 billion in net income. Banks' loan loss reserves declined by $561 million in 1991. However, at the end of 1991, the industry held 72 cents in reserves for every dollar of noncurrent loans, a slight increase from 71 cents at the end of 1990.

Consolidation of the banking industry continued in 1991. The number of banks fell below 12,000 as the industry shrank by more than 400 institutions. New bank charters fell to 106, the lowest number since 1968. Commercial bank failures and assistance transactions totaled 108, while there were 448 mergers during the year. The number of employees at commercial banks declined for the second consecutive year, to 1.49 million from 1.52 million in 1990. Employment in the banking industry is now at its lowest level since 1981.

## Savings Banks

There were 441 BIF-insured savings banks at year-end 1991, accounting for about nine percent of all deposits insured by the fund. These institutions are located predominantly in the Northeast, the area of the nation that has been hardest hit by weak real estate markets.

Nineteen BIF-insured savings banks with assets totaling $19.7 billion failed in 1991. Of those failed institutions, 18 were headquartered in New England. The remaining savings bank failure was the largest of the year - Goldome of Buffalo, New York, which had $9.2 billion in assets when it was closed.

BIF-insured savings banks lost $1.2 billion in 1991, an improvement from the $2.6 billion net loss the previous year due in large part to the FDIC's resolution of 19 insolvent institutions in 1991. Thirty-three percent of all BIF-insured savings banks were unprofitable in 1991, versus 40 percent the previous year. Assets held by savings banks declined by $22 billion (8 percent) in 1991. Most of the shrinkage was in mortgage loans, which declined by $17 billion. ❖


Zip Video Services, Carl Lucci

# Operations of the Corporation

Among the properties sold at the FDIC's successful nationwide auction on December 12 was this renovated shopping and office complex in Boise, Idaho, which dates back to the early 1900s.

# Statistical Highlights

| Bank Insurance Fund (BIF) | | | |
|---|---|---|---|
| Dollars in Millions | For the year ended December 31 | | |
| | 1991 | 1990 | 1989 |
| Income | $ 5,790 | $ 3,858 | $ 3,495 |
| Operations Expense | 284 | 220 | 214 |
| Liquidation/Insurance Losses and Expenses | 16,578 | 12,803 | 4,132 |
| Net Income (Loss) | (11,072) | (9,165) | (851) |
| Insurance Fund Balance | (7,028) | 4,044 | 13,210 |
| Fund as a Percentage of Insured Deposits | (0.36)% | 0.21% | 0.70% |

| Selected Bank Statistics* | | | |
|---|---|---|---|
| Total Insured Banks | 12,343 | 12,788 | 13,239 |
| Problem Banks | 1,090 | 1,046 | 1,109 |
| Total Assets of Problem Banks | $609,809 | $408,766 | $235,502 |
| Bank Failures | 124 | 168 | 206 |
| Assisted Banking Organizations | 3 | 1 | 1 |
| Total Assets of Failed and Assisted Banks | $ 63,204 | $ 15,677 | $ 29,425 |
| Number of Failed Bank Receiverships | 1,136 | 1,041 | 964 |

* All BIF-insured depository institutions (commercial banks, savings banks and insured branches of foreign banks).

# Chronological Highlights

**January 6**

The FDIC sets up three bridge banks to assume the deposits of Bank of New England, N.A., Boston; Connecticut Bank & Trust Company, N.A., Hartford; and Maine National Bank, Portland. The three bank subsidiaries of the Bank of New England Corporation, Boston, were closed by the Comptroller of the Currency.

**February 5**

The Treasury Department releases its long-awaited proposal for reforming the deposit insurance and bank regulatory systems, based in part on a congressionally mandated study done in consultation with the FDIC and other agencies. A lengthy debate in Congress over these and other recommendations later resulted in the enactment of major legislation (see December 19).

**March 19**

A new Division of Resolutions is created to coordinate the FDIC's response to failed and failing banks.

**April 22**

The FDIC announces the resolution of Bank of New England by selling the franchise to Fleet/Norstar Financial Group, Providence, Rhode Island.

**April 30**

The FDIC increases the premium banks pay for deposit insurance to 23.0 cents per $100 in domestic deposits, from 19.5 cents, effective July 1, 1991.

**May 14**

The FDIC announces a public sale of its remaining 26 percent equity holding in Continental Bank Corporation, Chicago, Illinois. This sale completes the return to private ownership that began shortly after the stock was acquired by the FDIC as part of the government's 1984 assistance package for Continental Illinois National Bank and Trust Company.

**May 31**

The FDIC arranges a deposit assumption for the $9.2 billion-asset Goldome, Buffalo, New York. Certain deposits are assumed by Key Bank of Western New York, N.A., Buffalo, New York. KeyCorp, Albany, New York, enters into a simultaneous agreement with First Empire State Corporation, Buffalo, New York, to assume other deposits and assets of Goldome.

**August 6**

FDIC Chairman L. William Seidman submits his resignation to President George Bush, effective October 16. Mr. Seidman served as FDIC Chairman since October 1985.

**September 19**

The FDIC approves the assumption of deposits of the $10.8 billion-asset Southeast Bank, N.A., Miami, Florida, and a $91.1 million-asset bank in the same holding company, by First Union National Bank of Florida. Southeast Bank, N.A., was closed by the Comptroller of the Currency as a result of a liquidity insolvency after it was unable to repay a loan from the Federal Reserve Bank of Atlanta. First Union agreed to purchase the failed banks' assets, including the problem loans, under a loss-sharing arrangement with the FDIC.

**October 10**

The FDIC approves the assumption of deposits of seven failed New Hampshire banks by two institutions. The transactions featured the bundling of unaffiliated banks by the FDIC into two franchises instead of the usual practice of marketing the banks individually.

**October 25**

William Taylor becomes the 15th Chairman of the FDIC, replacing L. William Seidman. Prior to his appointment to the FDIC, Mr. Taylor was Staff Director of the Federal Reserve Board's Division of Banking Supervision and Regulation.

**October 28**

The FDIC agrees to sell back its equity interest in Bank One Texas, N.A., Dallas, for $387 million. The FDIC purchased the non-voting stock as part of the 1989 agreement with Banc One Corp., Columbus, Ohio, to acquire 20 failed bank subsidiaries of MCorp, Dallas.

**December 12**

The FDIC holds a sale in Dallas, Texas, for 178 commercial properties acquired from failed institutions. The auction attracted more than 1,000 bidders and yielded $240 million from the 115 properties sold.

**December 19**

President Bush signs the FDIC Improvement Act of 1991. Among the many provisions of this major banking law are: expanded FDIC authority to borrow from the U.S.Treasury to cover insurance losses; increased FDIC flexibility to adjust deposit insurance premiums; requirements that federal banking agencies take specified "prompt corrective actions" triggered by an institution's capital level; and a mandate that the FDIC choose the least-costly alternative in resolving failing institutions, with an exception for "systemic risk" situations. (See pages 36 - 38 for a detailed summary of the new law). ❖

# Supervision and Enforcement

With the economy slowing down and real estate markets suffering from the over-building of the 1980s, the banking industry continued to experience difficulties throughout 1991. In this environment, financial institutions and their supervisors increasingly became part of the national debate over economic issues.

The deteriorating condition of many financial institutions led to calls for tighter supervision of banks and savings associations. This culminated in December with the signing into law of the Federal Deposit Insurance Corporation Improvement Act of 1991, which included supervisory reforms such as: (1) requirements for independent annual audits and annual regulatory examinations, (2) explicit capital-based "tripwires" for prompt corrective action as an institution's condition deteriorates, (3) further limitations on the use of brokered deposits, (4) limitations on certain activities of state-chartered banks and (5) requirements that the federal regulators develop uniform real estate lending standards and other regulations promoting the safe and sound operation of financial institutions.

In addition, the sluggish economy and the declining property values in some commercial real estate markets contributed to an increase in the level of non-performing assets held by financial institutions. These credit problems prompted many institutions to tighten underwriting standards, reduce the pace of lending, shore up their capital positions and strengthen their balance sheets.

**FDIC Examinations, 1989-1991**

| | 1991 | 1990 | 1989 |
|---|---|---|---|
| Safety and Soundness: | | | |
| State Nonmember Banks | **3,791** | 3,744 | 3,440 |
| Savings Banks | **298** | 211 | 191 |
| National Banks | **273** | 105 | 62 |
| State Member Banks | **44** | 24 | 21 |
| Savings Associations* | **937** | 2,150 | 375 |
| Subtotal | **5,343** | 6,234 | 4,089 |
| Compliance and Civil Rights | **3,782** | 3,639 | 3,901 |
| Trust Departments | **625** | 525 | 585 |
| Data Processing Facilities | **1,168** | 1,077 | 782 |
| **Total** | **10,918** | 11,475 | 9,357 |

* The FDIC began to examine savings associations after the enactment of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 on August 9, 1989.

However, as credit standards tightened, critics alleged the federal bank and thrift regulators were applying excessively rigid examination standards that caused some depository institutions to become overly cautious in their lending practices. To ensure that regulatory policies and actions did not inadvertently curtail credit to sound borrowers, the FDIC joined the Federal Reserve Board, the Office of the Comptroller of the Currency and the Office of Thrift Supervision in issuing a series of guidelines and policy statements aimed at clarifying long-standing principles of effective supervision. These initiatives and a special interagency conference held in December for senior examiners are discussed in detail on page 19.

The varied role of the FDIC in examination and supervision draws on a large segment of the FDIC's work force, primarily the Division of Supervision (DOS) for on-site and off-site reviews, problem correction and policy development. Support is provided by other areas of the FDIC, including the Division of Research and Statistics for industry analysis, the Division of Accounting and Corporate Services for computer-based monitoring programs and the Division of Resolutions for failing bank situations. Legal issues arising out of the examination and supervision process, including the prosecution of enforcement actions, are handled by the Legal Division, which has staff in Washington as well as in the eight DOS Regional Offices.

## Examinations

The FDIC is the primary federal regulator of approximately 7,100 state-chartered banks that are not members of the Federal Reserve System and about 420 savings banks. The agency also has certain back-up supervisory authority, for safety and soundness purposes, over state-chartered banks that are members of the Federal Reserve System, national banks and savings associations.

| Bank Insurance Fund (BIF) Problem Banks, 1987-1991 (Year-end) | 1991 | 1990 | 1989 | 1988 | 1987 |
|---|---|---|---|---|---|
| Total Insured Banks (Commercial and Savings) | **12,343** | 12,788 | 13,239 | 13,606 | 14,289 |
| Problem Banks | **1,090** | 1,046 | 1,109 | 1,406 | 1,575 |
| Assets of Problem Banks ($ billion) | **609.8** | 408.8 | 235.5 | 352.2 | 358.5 |
| Percentage Change in Number of Problem Banks | **4.2** | (5.7) | (21.1) | (10.7) | 6.1 |
| Percent of Total Insured Banks | **8.8** | 8.2 | 8.4 | 10.3 | 11.0 |
| **Changes in BIF Problem Bank List, 1987-1991** | | | | | |
| Deletions | **456** | 447 | 619 | 680 | 627 |
| Additions | **500** | 384 | 322 | 511 | 718 |
| Net Change | **44** | (63) | (297) | (169) | 91 |

As the primary supervisor of state nonmember banks and most savings banks insured by the Bank Insurance Fund, the FDIC conducts four major types of examinations:

**Safety and soundness**
The FDIC conducted 4,089 examinations of state nonmember banks and savings banks during 1991 to track emerging trends, identify problems and seek corrections. This was about a three percent increase from the 3,955 such examinations in 1990.

**Trust departments**
A total of 625 trust departments were examined in 1991 to determine potential losses to banks, up from the 525 examined in 1990.

**Data processing facilities**
DOS examiners in 1991 participated in reviews of 1,168 data processing facilities run by banks or independent firms, compared to 1,077 in 1990.

**Compliance with consumer and civil rights statutes**
The FDIC conducted 3,782 examinations and visitations to monitor how well institutions were implementing consumer protection and civil rights laws. There were 3,639 such reviews in 1990.

## Problem Banks and Enforcement Actions

Problem institutions are those with severe financial, operational and managerial weaknesses. The FDIC places a special emphasis on examining these and certain other banks because of their potential impact on the deposit insurance fund. The FDIC also places considerable emphasis on attempting to recognize potential difficulties and seeking to have them corrected before the bank becomes a problem.

The number of problem commercial banks and savings banks insured by the Bank Insurance Fund increased slightly, to 1,090 at year-end 1991 from 1,046 at year-end 1990. However, the size of the banks on the problem list became significantly larger. Total assets of banks on the problem list at year-end 1991 had increased to $609.8 billion from $408.8 billion at the previous year-end. Weak management and poor lending decisions continued to be the causes of many problem bank situations, but shifting regional and national economic weaknesses also played a role in the increase in the problem bank statistics. Banks' recognition of declining real estate values, especially by larger institutions in the New England, Mid-Atlantic and Western states, also left its imprint.

Problem banks are frequently rehabilitated, usually with close supervision and corrective measures by the regulators. The FDIC uses enforcement actions as corrective tools to bring about desired changes in a problem institution's condition. These often include "cease-and-desist" orders to halt and correct unsafe and unsound banking practices, plus the removal of officials of state nonmember banks when other supervisory procedures have proven unsuccessful. Civil money penalties may also be imposed on individuals and companies. The new banking law enacted in December expanded the FDIC's existing authority to bring enforcement actions against all insured institutions.

**Compliance, Enforcement and Other Legal Actions, 1989-1991**

| | 1991 | 1990 | 1989 |
|---|---|---|---|
| Section 8(a) Termination of Insurance Orders: | | | |
| Notifications to Primary Regulator/Orders of Correction | 71 | 52 | 73 |
| Notices of Hearing/Notices of Intent Issued* | 45 | 35 | 19 |
| Temporary Suspension of Insurance Issued* | 0 | 0 | 1 |
| Orders Accepting Voluntary Termination Issued | 1 | 1 | 1 |
| Insurance Termination Orders Issued* | 5 | 1 | 2 |
| Section 8(b) Cease-and-Desist Orders: | | | |
| Notices of Charges Issued | 27 | 32 | 31 |
| Orders Issued With Notice* | 25 | 16 | 24 |
| Orders Issued Without Notice | 131 | 76 | 74 |
| Section 8(c) Temporary Orders* | 3 | 8 | 1 |
| Section 8(e) Removal/Prohibition of Director or Officer: | | | |
| Notices Issued | 16 | 9 | 10 |
| Orders Issued With Notice* | 9 | 8 | 4 |
| Orders Issued Without Notice | 25 | 5 | 6 |
| Section 8(e) Temporary Removal Orders* | 1 | 0 | 0 |
| Section 8(g) Suspension/Removal for Felony | 1 | 0 | 0 |
| Section 8(p) Terminations/No Longer Accepting Deposits | 5 | 2 | 2 |
| Section 8(q) Terminations/Deposits Assumed | 4 | 0 | 1 |
| Civil Money Penalties Issued | 11 | 6 | 9 |
| Capital Notices Issued | 0 | 1 | 3 |
| Capital Directives Issued* | 0 | 3 | 1 |
| Written Capital Agreements | 2 | 0 | 0 |
| Section 10(c) Orders of Investigation Issued | 5 | 6 | 6 |
| Section 5(e) Cross-guaranty/Notices of Assessment Issued | 2 | 1 | 1 |
| Waivers Issued | 8 | 4 | 0 |
| Section 7(j) Notices of Disapproval of Acquisition | 2 | 0 | 2 |
| Section 19 Officer/Director Requests to Serve – Denials | 2 | 2 | 1 |
| Final Orders Issued* | 1 | 1 | 2 |
| Section 32 Disapprovals of Officers and Directors: | | | |
| Notices of Disapproval | 32 | 29 | 0 |
| Rulings on Appeal Issued* | 17 | 15 | 0 |
| Regulation Z (Truth-in-Lending) Requests for Relief: | | | |
| Orders Issued Denying Relief from Reimbursement | 11 | 28 | 6 |
| Reconsiderations of Orders Denying Relief* | 3 | 1 | 2 |
| Orders Granting Relief Issued | 0 | 1 | 1 |
| **Total Actions Initiated by FDIC** | 356 | 255 | 228 |

* Not counted as separate proceedings and therefore not included in total actions initiated.

During the year, the FDIC initiated 356 enforcement actions against insured depository institutions and persons affiliated with these institutions for unsafe and unsound banking practices or violations of laws, rules or regulations. By comparison, the FDIC initiated 255 enforcement proceedings during 1990. These enforcement actions initiated during 1991 included 71 proceedings to terminate deposit insurance, 156 cease-and-desist orders, 34 actions to remove or prohibit participation by a bank director or officer and 11 civil money penalty assessments.

## Capital Standards

In February 1991, the FDIC Board of Directors adopted revisions to the agency's minimum "leverage capital" requirements that ensure that a portion of a bank's existing assets and future asset growth will be funded by owners' equity. The revisions were intended primarily to bring the definition of capital under the leverage requirements more closely in line with that used in risk-based capital guidelines that went into effect at year-end 1990. The leverage capital and the risk-based capital standards are significant measurements of capital adequacy.

In general, the revised leverage capital rule combines a more narrow definition of capital with a lower minimum acceptable ratio of capital to assets. As such, the net effect should be reduced confusion over the definition of capital but little, if any, change in minimum capital standards.

Previously, FDIC-supervised banks needed to maintain "primary capital" of 5.5 percent of total assets and "total capital" of at least six percent. The new rule replaced these two requirements with a new minimum standard based solely on a single definition of capital called "Tier 1" or "core" capital. Core capital generally consists of common equity capital minus most intangible assets. This represents a more narrow definition of capital since it excludes loan loss reserves and certain other items previously included as part of primary capital.

Under the revised leverage capital standard,.the most highly rated banks (those with a composite rating of one on the five-point interagency rating system and not anticipating or experiencing significant growth) must meet a minimum core capital leverage ratio of at least three percent of total assets. All other institutions are required to maintain a minimum leverage ratio of four-to-five percent.

This revised leverage capital rule, which became effective on April 10, 1991, will be used in tandem with the FDIC's risk-based capital rule. It will apply to FDIC-supervised banks and savings banks, as well as other depository institutions that file applications with the agency or are deemed to be in an unsafe or unsound condition.

## Off-site Analysis

Off-site monitoring efforts are an important ingredient in the FDIC's supervisory process and the allocation of time and staff resources.

As supervisory responsibilities continue to expand, the use of off-site monitoring becomes an increasingly important companion to, but not a substitute for, on-site examinations. Off-site monitoring depends to a large extent on quarterly information filed by financial institutions, complemented by information obtained from other sources.

Through the years, the FDIC has developed systems for analyzing and ranking institutions based on financial performance and growth profiles.

New off-site monitoring tools developed during 1991 included improvements in systems for identifying banks with large real estate exposures or banks that have experienced rapid growth.

Another new system measures and ranks the financial performance of savings associations. A model for assessing the financial performance of savings banks was being developed in 1991 and is scheduled to be in use in 1992.

In addition to these new systems, the FDIC in 1991 improved its existing program for identifying banks that have deteriorated significantly since their last examination. The revised program includes risk-based capital measures.

Other off-site efforts during 1991 included more comprehensive analyses of the largest institutions—banking and thrift companies with assets over $3 billion.

## Bank Reporting Activities

The quarterly Report of Condition and Income (Call Report) is foremost among the reports and surveys completed by insured depository institutions and reviewed by the FDIC. This report provides regulators with information on assets, liabilities, revenues, expenses, losses and related data on the condition and performance of individual banks. The FDIC processed approximately 50,000 quarterly Call Reports from state nonmember banks and national banks in 1991.

In addition, the FDIC obtains data on deposits at main offices and branches of BIF-insured institutions. The agency processed surveys for 62,000 such offices in 1991. The FDIC also collected year-end reports of trust operations conducted by about 5,000 institutions.

To facilitate the changing needs of the FDIC and others for data on conditions at individual institutions and for the depository industry in general, new reporting requirements were implemented as of March 31, 1991. The revised Call Report provides more detailed data on real estate lending and related exposures, as well as other asset quality information in key areas. In addition, the revised Call Report better identifies the components of noninterest income and expense, and permits quarterly estimates of insured deposits in the banking system.

Other revisions to the Call Report developed during 1991 for implementation in 1992 address foreclosed real estate and mortgage servicing volume. Additional changes will improve the measurement of the assessment base used to calculate deposit insurance premiums.

**FDIC Applications**

| | 1991 | 1990 | 1989 |
|---|---|---|---|
| **Deposit Insurance** | **69** | 141 | 101 |
| Approved | **62** | 135 | 100 |
| Denied | **7** | 6 | 1 |
| **New Branches** | **898** | 1,121 | 1,160 |
| Approved | **898** | 1,118 | 1,160 |
| Branches | **572** | 812 | 891 |
| Remote Service Facilities | **326** | 306 | 269 |
| Denied | **0** | 3 | 0 |
| **Mergers** | **405** | 390 | 200 |
| Approved | **404** | 389 | 200 |
| Denied | **1** | 1 | 0 |
| **Requests for Consent to Serve^** | **1,722** | 1,567 | 39 |
| Approved | **1,688** | 1,536 | 38 |
| Section 19 | **71** | 81 | 38 |
| Section 32* | **1,617** | 1,455 | 0 |
| Denied | **34** | 31 | 1 |
| Section 19 | **2** | 2 | 1 |
| Section 32* | **32** | 29 | 0 |
| **Notices of Change in Control** | **67** | 79 | 70 |
| Letters of Intent Not to Disapprove | **65** | 79 | 68 |
| Disapproved | **2** | 0 | 2 |
| **Conversions of Insurance Coverage** | **106** | 234 | 0 |
| Approved*+ | **106** | 234 | 0 |
| Denied*+ | **0** | 0 | 0 |
| **Brokered Deposit Waivers** | **51** | 83 | 0 |
| Approved* | **37** | 63 | 0 |
| Denied* | **14** | 20 | 0 |
| **Savings Association Activities** | **100** | 104 | 0 |
| Approved* | **91** | 84 | 0 |
| Denied* | **9** | 20 | 0 |

^ Under Section 19 of the Federal Deposit Insurance Act, an insured institution must receive FDIC approval before employing a person convicted of dishonesty or breach of trust. Under Section 32, the FDIC must approve any change of directors or senior executive officers at a state nonmember bank that has been chartered less than two years, has undergone a change of control within two years, is not in compliance with capital requirements, or otherwise is in a troubled condition.

* New application as of the enactment of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 on August 9, 1989.

+ Applications to convert from the Savings Association Insurance Fund to the Bank Insurance Fund or vice versa.

## Applications

The applications process helps promote safe and sound banking operations by authorizing the FDIC to approve, deny or seek modifications in requests from institutions to establish or expand certain functions. Applications traditionally relate to deposit insurance, the establishment or relocation of branches by FDIC-supervised banks, mergers where the FDIC supervises the resultant bank and changes in control of state nonmember banks. In certain circumstances, the FDIC decides who may serve as a director, officer or employee of a state nonmember bank.

As a result of the FDIC Improvement Act of 1991, the agency is now responsible for acting on insurance applications from all institutions that request insurance from the FDIC, not just state nonmember banks and federal and state savings associations. The new law also changed the circumstances under which a SAIF-insured institution and a BIF-insured institution are allowed to merge without paying entrance and exit fees to the insurance funds.

During 1991, applications for deposit insurance totaled 69 compared to 141 in 1990. Requests for new branches decreased to 898 from 1,121 in 1990.

## Interagency Efforts

On March 1, the four federal regulators of banks and thrift institutions issued a joint statement that addressed a wide range of supervisory issues including problem loan workouts, lending by undercapitalized institutions and the valuation of real estate loans. This statement — essentially a clarification and restatement of existing policies — was intended partly to dispel any misunderstandings that might hinder lending to sound borrowers or certain other borrowers experiencing temporary financial problems.

On November 7, the four agencies issued a second statement expanding the March guidance on the review and classification of commercial real estate loans. The intent of the regulators was to provide clear and comprehensive guidance to ensure that supervisory personnel review loans in a consistent, prudent and balanced fashion, and that all interested parties are aware of the guidance.

To help examiners around the country implement the more comprehensive November policy statement, the agencies held a conference December 16-17 in Baltimore for nearly 500 senior field staff from the four agencies. This special meeting featured remarks by FDIC Chairman William Taylor and other top regulators clarifying the November policy statement and reinforcing its goals. Among those who also addressed the conference were Nicholas Brady, the Secretary of the Treasury, and Michael Boskin, the Chairman of the President's Council of Economic Advisers, who gave their views on credit conditions and the importance of reasoned and balanced examinations.

Cooperation with the other federal regulators also continues through the Federal Financial Institutions Examination Council (FFIEC). A policy statement was adopted in December addressing the selection of securities dealers and the need for prudent securities investment strategies. The policy statement, which supersedes a 1988 FFIEC statement, included expanded guidance on investments in high-risk mortgage securities and zero-coupon bonds.

The FFIEC also continued to study possible new capital requirements for "recourse" arrangements. In general, this term refers to a situation where an institution retains some or all of the risk of loss associated with an asset even though the asset has been sold.

The FDIC and its Office of Consumer Affairs actively participated in the FFIEC's Consumer Compliance Task Force, which developed new interagency policy statements and examination procedures in areas such as compliance with the Community Reinvestment Act (CRA). Among the 1991 initiatives was a policy statement, adopted by the FDIC Board of Directors on December 30, regarding the need for institutions to analyze the geographic distribution of their lending patterns as part of the CRA planning process.

The FDIC also works closely with the Department of Justice and other government agencies to improve law enforcement and avoid duplication of effort or expense. For example, during 1991 DOS forwarded to the Justice Department more than 2,500 referrals of possible criminal activity at open financial institutions. In addition, the Legal Division provided assistance to the Justice Department on 46 criminal cases that, by year-end, resulted in 50 convictions and 31 court-imposed restitution orders totaling more than $101 million. It is difficult and sometimes impossible for the FDIC to collect on such restitution orders because, for example, many defendants are in prison, in bankruptcy or both. However, the FDIC continues to consider ways to improve collections on restitution orders.

The FDIC, the Justice Department and other federal regulators during 1991 also expanded on recent initiatives to coordinate and prioritize criminal referrals. This effort includes participation in an interagency database project that, when completed, will provide the federal financial institution regulatory agencies with a pooled source of information about referrals of suspected criminal activity.

Another key 1991 development was the Legal Division's agreement with the Office of Thrift Supervision establishing procedures to share confidential investigation results and legal analyses in order to more effectively pursue crimes against thrift institutions.

The FDIC also continues to be a member of the Basle Supervisory Committee of chief bank supervisors from several countries who seek to share information and harmonize international regulatory standards. ❖

# Failed Banks and Assistance Transactions

The FDIC handled 124 failed banks during 1991 and assisted three banks in danger of failing. While the number of failed bank cases declined from 1990, when 168 banks failed and one received assistance, the average asset size of the resolutions completed in 1991 increased significantly. This shift has added to the complexity of handling failed banks and has required increased resources and attention from the FDIC.

The total assets of the banks that failed in 1991 represented a fourfold increase to $63.1 billion from $15.7 billion a year earlier. This increase is attributed primarily to the failure of:

- Three banking subsidiaries of the Bank of New England Corporation, Boston, with total assets of $21.7 billion;
- The two banking subsidiaries of Southeast Banking Corporation, Miami, with total assets of $10.8 billion;
- Goldome, Buffalo, New York, with assets totaling $9.2 billion; and
- Seven New Hampshire banks, resolved contemporaneously, with assets totaling $4.4 billion.

Of the 124 banks that failed during the year, 103 were handled as "purchase and assumption" (P&A) transactions. In a P&A, most or all deposits are assumed and some portion of the assets are acquired by a healthy bank. The remaining 21 failed banks were resolved either through a payout of insured deposits (four) or through a transfer of insured deposits to another institution (17).

The FDIC Board in March 1991 created a new Division of Resolutions (DOR) centralizing responsibilities previously handled by the Division of Liquidation (DOL) and the Division of Supervision (DOS). In addition to a staff in Washington, D.C., DOR established Regional Offices in Boston, Dallas, New York and San Francisco.

DOR's responsibilities in planning for and handling bank failures include: assembling data about anticipated failures, conducting meetings with potential acquirers, coordinating resolutions with other regulatory agencies, and spearheading the development of the FDIC's overall resolution policies and financing strategies.

Specific aspects of the resolution process now being handled by DOR include administering resolution agreements (such as monitoring adherence to terms), managing and selling capital instruments acquired from assisted banks, and overseeing the management of FDIC-owned, full-service "bridge banks" (established on an interim basis when an insured bank is closed and time is needed to find a permanent solution).

DOS, DOL, the Legal Division, the Division of Accounting and Corporate Services and other areas of the FDIC still continue to play key roles in the handling of bank failures and assistance transactions. The Legal Division established a section headed by an Associate General Counsel to assist DOR.

The major bank failures of 1991 and the actions the FDIC took to resolve them are explained in greater detail as follows.

## Bank of New England

On January 6, 1991, the Comptroller of the Currency closed the three commercial banking subsidiaries of the Bank of New England Corporation: Bank of New England, N.A., Boston, Massachusetts; Connecticut Bank & Trust Company, N.A., Hartford, Connecticut; and Maine National Bank, Portland, Maine. The failures were attributed to rapid growth, particularly in commercial real estate, as well as the deterioration in the regional economy.

The FDIC, as receiver, established three bridge banks. All deposits and most assets of the three closed institutions were transferred to the new banks.

The FDIC marketed the three bridge banks to eligible acquirers and invited bids for the banks either as a total package or individually. On April 22, 1991, the FDIC Board awarded the three bridge banks to Fleet/Norstar Financial Group, Providence, Rhode Island. Fleet managed the banks on an interim basis and the sale closed on July 14, 1991.

## Southeast

On September 19, 1991, the $10.8 billion-asset Southeast Bank, N.A., Miami, Florida, was closed by the Comptroller of the Currency after the bank was unable to repay a loan from the Federal Reserve Bank of Atlanta. This bank failure occurred because of a liquidity insolvency rather than a depletion of book capital. The $91.1 million-asset Southeast Bank of West Florida, Pensacola, Florida, a member of the same bank holding company, also was closed by the state after it was unable to cover its share of the FDIC's anticipated loss from the resolution of the national bank. The FDIC Board approved a P&A transaction with First Union National Bank of Florida, Jacksonville, a subsidiary of First Union Corporation, Charlotte, North Carolina.

The FDIC used a loss-sharing arrangement in the resolution of the two Southeast banks to keep the assets of the failed institutions in the private sector and maximize their value. Under the agreement negotiated by the FDIC, First Union purchased $10 billion of the failed banks' assets, including the problem loans. The FDIC will reimburse First Union for 85 percent of the net charge-offs from the failed banks' portfolios over the next five years, while First Union will absorb the remaining 15 percent. On credit cards and home equity loans, First Union's loss-sharing gradually will increase to 35 percent.

The loss-sharing structure is expected to bring cost savings to the Bank Insurance Fund while providing adequate protection to the acquirer, in part by minimizing disruption to loan customers and reducing the number of failed bank assets placed in liquidation. To further facilitate the transaction, the FDIC agreed to purchase $150 million of 11 percent perpetual preferred stock from First Union redeemable at par within one year.

**Failed Banks,* 1989-1991**

| | 1991 | 1990 | 1989 | | 1991 | 1990 | 1989 |
|---|---|---|---|---|---|---|---|
| Alaska | **0** | 0 | 2 | Missouri | **0** | 1 | 1 |
| Arizona | **1** | 5 | 6 | Montana | **0** | 0 | 2 |
| Arkansas | **1** | 1 | 0 | Nebraska | **0** | 0 | 1 |
| California | **4** | 4 | 1 | New Hampshire | **12** | 1 | 0 |
| Colorado | **3** | 7 | 7 | New Jersey | **4** | 2 | 0 |
| Connecticut | **17** | 1 | 1 | New Mexico | **3** | 2 | 0 |
| District of Columbia | **1** | 1 | 0 | New York | **2** | 5 | 3 |
| Florida | **10** | 7 | 5 | North Carolina | **1** | 0 | 0 |
| Hawaii | **1** | 0 | 0 | North Dakota | **0** | 3 | 2 |
| Illinois | **2** | 0 | 0 | Ohio | **1** | 1 | 0 |
| Indiana | **1** | 0 | 0 | Oklahoma | **1** | 9 | 12 |
| Kansas | **1** | 1 | 5 | South Carolina | **1** | 0 | 0 |
| Kentucky | **0** | 1 | 0 | Tennessee | **0** | 1 | 0 |
| Louisiana | **5** | 4 | 21 | Texas | **31** | 103 | 133† |
| Maine | **2** | 0 | 0 | Vermont | **1** | 0 | 0 |
| Maryland | **1** | 0 | 0 | Virginia | **2** | 0 | 1 |
| Massachusetts | **14** | 7 | 1 | West Virginia | **1** | 0 | 1 |
| Minnesota | **0** | 1 | 1 | | | | |
| | | | | Total | **124** | 168 | 206 |

* Excludes open bank assistance transactions.

† Includes 20 bank subsidiaries of MCorp of Dallas, Texas, and 24 bank subsidiaries of Texas American Bankshares, Inc. Fort Worth, Texas.

## Goldome

On May 31, 1991, the New York State Banking Department closed Goldome, headquartered in Buffalo, and named the FDIC receiver. The FDIC Board approved the assumption of deposits by Key Bank of Western New York, N.A., a subsidiary of KeyCorp, Albany, New York. At the same time, KeyCorp sold certain branches, deposits and assets to First Empire State Corporation, Buffalo, New York, the parent company of Manufacturers and Traders Bank, Buffalo.

## New Hampshire

Because of the severity of the recession in New Hampshire and the problems facing banks in the state, the FDIC pursued a resolution plan (commonly referred to as the "New Hampshire Plan") for several of the largest failing banks in the state. The FDIC grouped the banks together and then marketed them to potential acquirers as two separate franchises.

After months of discussions between the FDIC and New Hampshire officials aimed at resolving the problem banks with minimum disruptions to the area's economy, an innovative transaction was announced October 10, 1991. Seven banks with aggregate assets of $4.4 billion were closed by their respective chartering authorities.

Three commercial banks (BankEast, Manchester; Nashua Trust Company, Nashua; and Bank Meridian, N.A., Hampton) and one savings bank (Amoskeag Bank, Manchester) became branches of First NH Bank, Concord, New Hampshire, a U.S. subsidiary of The Bank of Ireland, Dublin. Three other savings banks (New Hampshire Savings Bank, Concord; Dartmouth Bank, Manchester; and Numerica Savings Bank, FSB, Manchester) were assumed by New Dartmouth Bank, Manchester.

The transactions are unusual for several reasons. For example, the FDIC packaged unaffiliated banks into two franchises for sale instead of marketing the banks individually to potential purchasers. A separate asset pool also was established for the failed banks' classified assets, repossessed real estate, all subsidiaries and unwanted bank premises. This pool is owned by the FDIC and managed by a third party other than the acquiring institutions.

The transactions also included loss-sharing provisions applying to consumer and residential mortgage loans. The FDIC also agreed to purchase preferred stock of the acquiring institutions. The "shared equity" feature was designed to help the acquirers obtain the capital needed for the transaction but on terms favorable enough to the FDIC to encourage the banks to redeem the stock relatively quickly.

## Assistance to Open Institutions

Under certain circumstances, the FDIC is authorized to provide financial assistance to prevent the closing of an insured depository institution.

Three institutions in danger of closing received open bank assistance in 1991. On September 10, the $29.7 million-asset First Bank and Trust, Harrisburg, Illinois, received open bank assistance. The bank then was acquired by a newly formed holding company, Shawnee Bancorp., Inc., Harrisburg, Illinois. On October 2, the FDIC approved assistance to the $22.3 million-asset Gunnison Bank and Trust Company, Gunnison, Colorado. Under the assistance plan, Lindoe, Inc., Ordway, Colorado, acquired the bank. Then on December 4, the FDIC gave assistance to the $31.9 million-asset Douglass Bank, Kansas City, Kansas, a minority-owned institution.

Part of the Douglass Bank assistance package included a capital injection of $2.3 million by the bank's parent company, consisting mainly of funds from nonprofit community organizations. The Douglass Bank transaction brought outside capital into the banking industry and preserved a minority institution.

## Impact of the New Law

The Federal Deposit Insurance Corporation Improvement Act of 1991, enacted in December, will have a significant impact on the resolution process.

Among the changes imposed by the new law is the requirement that the resolution transactions chosen be "the least costly to the deposit insurance fund of all possible methods" of meeting that obligation. Prior law required only that the resolution selected be less costly than a payout of insured deposits and a liquidation of the assets, although it was generally FDIC practice to arrange transactions that were less costly than other alternatives.

Other provisions of the new law affect the timing of bank and thrift failures. For example, the FDIC Improvement Act includes a requirement that an institution must be closed by its primary supervisor if it is "critically undercapitalized" for a prolonged period. In general, the law defines a critically undercapitalized institution as having tangible capital that is less than two percent of total assets. This "early intervention" requirement must be effective by December 19, 1992. Under previous law, an institution typically was closed only after its capital had been exhausted.

In addition, the FDIC Improvement Act sets new supervisory standards that also could influence when an institution is likely to fail. These include a prohibition on the acceptance of brokered deposits by undercapitalized institutions and a requirement that the FDIC begin to charge higher deposit insurance premiums to institutions that pose greater risks to the insurance fund. These regulatory changes could further reduce capital at some weak institutions to the level where regulators would be required to close them under the early intervention provisions of the law.

Also effective in 1992, the new law toughens the criteria for FDIC assistance to open institutions, such as a requirement that the agency determine that assistance represents the least costly resolution alternative available. ❖

# Liquidation Activities

The liquidation of assets from failed banks is at the core of the FDIC's ability to protect depositors at federally insured banks and to reduce the agency's need to borrow from the U.S. Treasury to meet deposit insurance commitments. The main elements of liquidation are: managing failed financial institution receiverships; making payments to depositors at closed FDIC-insured banks; and converting the assets of the failed institutions to cash. The FDIC's Division of Liquidation (DOL) is assisted in these activities by the Legal Division, the Division of Accounting and Corporate Services and other Divisions and Offices.

At year-end 1991, DOL was handling the disposition of assets from 1,136 failed banks and 98 thrifts closed by the former Federal Savings and Loan Insurance Corporation (FSLIC) before the enactment of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). The proceeds from liquidation activities are used to make payments to depositors and creditors of failed financial institutions, and to reimburse the FDIC's Bank Insurance Fund (BIF) or the FSLIC Resolution Fund (FRF). Reimbursements to BIF relate to failed banks. Payments to FRF, created by Congress to handle obligations related to savings associations that failed before FIRREA in 1989, arise from asset sales and other matters related to those closed thrifts.

From year-end 1990 to year-end 1991, the book value of all bank and thrift assets in liquidation (including assets being liquidated for the FRF) increased by $8.4 billion to $44.8 billion despite the failure of 44 fewer banks in 1991. This increase in assets is mainly due to the larger size of the banks that failed during the year.

Specifically, failed bank assets being liquidated directly by the FDIC at year-end 1991 totaled approximately $22.6 billion (up from $18.0 billion the previous year), while large pools of failed bank assets being managed and liquidated for the FDIC by third-party contractors totaled $13.3 billion (up from $5.6 billion). The $12.3 billion total increase in all bank assets represented a rise of about 52 percent from the previous year's total.

On the other hand, the assets from failed savings associations being liquidated by the FDIC for the FRF decreased during 1991 to $8.9 billion from $12.8 billion, mainly through sales, write-downs and other transactions. The reduction in these thrift assets was more than twice the amount disposed of by the FDIC in 1990, the first full year for which the agency was responsible for liquidating the assets of failed savings associations.

## Liquidation Techniques

The FDIC uses a variety of strategies to manage its liquidation caseload.

The day-to-day liquidation work is carried out through a decentralized structure because of the magnitude, complexity and geographic dispersion of the assets. At the end of 1991, DOL had four regional offices and 16 "consolidated" offices (field sites established on a temporary basis according to existing and projected workloads). During the year, consolidated offices in Knoxville, Tennessee, and Midland, Texas, were closed. A consolidated office was opened in Hartford, Connecticut. Large real estate properties owned by the FDIC through receiverships are marketed through six sales centers around the country.

One of the most significant steps taken by the FDIC in 1991 to dispose of acquired property was a nationwide auction conducted December 12 in Dallas for 178 commercial properties with appraised value of approximately $500 million. Although the FDIC has conducted auctions in the past, they were on a much smaller scale. The properties offered, which included office and industrial buildings, shopping centers, apartment buildings and hotels, were located in 23 states but concentrated in Texas, Florida, California, Colorado and Massachusetts.

Special features were designed to facilitate sales at the auction. Potential bidders could prepare for the auction by reviewing property-marketing packages well in advance of the sale and by participating in seminars that explained bidding procedures and financing options offered by the FDIC. The seminars were offered in five cities. On the day of the auction, satellite hook-ups allowed bidders in those five cities — Boston, Orlando, Denver, Los Angeles and the main auction site in Dallas — to see, hear and compete as though they were all in the same room. The auction attracted more than 1,000 bidders and exceeded the FDIC's expectations, yielding $240 million from the 115 properties that were sold. By comparison, at the FDIC's only other nationwide auction of large real estate holdings in March 1989 in New York, 14 properties were sold for $40.7 million.

DOL continued to contract with a national servicer in 1991 to manage its large portfolio of performing mortgages. At the end of the year, the portfolio stood at 31,164 performing mortgages with a total book value of $2.7 billion. The DOL national sales center in Irvine, California, which concentrates on marketing this mortgage portfolio, sold more than 7,600 loans with a book value of $429 million for $401 million, slightly under their $404 million appraised value.

DOL also contracts with private companies to administer, manage and liquidate significant pools of problem assets from large failed banks. These firms operate under the Division's supervision through DOL's Assistance Transactions Branch (ATB), headquartered in Dallas. The ATB opened offices during 1991 in Boston, Massachusetts, and Manchester, New Hampshire, to handle the increased volume of failed bank activity in the Northeast. As of year-end 1991, problem assets managed by third-party servicers under ATB oversight were valued at approximately $13.3 billion, nearly twice the value of ATB assets a year earlier.

On another front, DOL and the Legal Division continued aggressive investigations to pursue professional liability claims and criminal matters arising from the actions of directors, accountants and others responsible for losses at failed banks and thrifts insured by the FDIC. The agency collected more than $300 million in 1991 from professional liability claims. These collections the previous year totaled $263.6 million.

## Collection Performance

Through all of these methods, DOL strives to minimize losses from failed bank and thrift assets by increasing cash collections and maintaining the ratio of expenses to collections below ten percent. Among the 1991 liquidation accomplishments were:

- Cash collections of $9.3 billion by DOL, exceeding the FDIC's goal of $8 billion. Of the total, $7.1 billion was collected on assets from BIF-insured commercial banks and savings banks, and $2.2 billion on assets from the savings associations closed by the FSLIC. During 1990, cash collections totaled $4.1 billion from bank assets and $2.4 billion from savings association assets.
- Additional cash collections of $4.3 billion by the private servicers working under ATB service agreements for the large pools of problem assets. This is an increase from the $3.2 billion collected on the ATB portfolio in 1990.
- Sales results far above the 1990 levels. DOL sold 143,460 loans in 1991 with book value of $2.1 billion for $1.5 billion, representing slightly more than their appraised value. In addition to the $240 million obtained from the 115 sales at the Dallas national auction of commercial property in December, DOL sold another 6,885 properties from receiverships for $1 billion (98 percent of appraised value). Sales of real estate handled by the ATB's servicers produced an additional $687.7 million in 1991 liquidation revenue.

DOL was able to hold its 1991 liquidation expenses to approximately 8.3 percent of its collections. DOL also was able to pay cash dividends of $5.1 billion to the Bank Insurance Fund and $117.2 million to uninsured depositors and creditors of failed banks. In addition, DOL paid cash dividends of approximately $1.2 billion to the FSLIC Resolution Fund and $47.8 million to uninsured depositors and creditors of failed thrifts. ❖

# Legal Affairs

The FDIC's wide-ranging legal affairs activities include developing and enforcing regulations, assisting in the resolution and liquidation of failed banks, and pursuing claims against failed bank directors, officers and professionals. The FDIC's Legal Division works closely with other Divisions and Offices in handling these responsibilities.

Until September 1991, the FDIC's Legal Division also provided services to the Resolution Trust Corporation (RTC), which was established by Congress in 1989 under FDIC management to sell or liquidate failed thrifts. The joint FDIC/RTC Board of Directors in September approved separating the RTC's legal functions from the FDIC's Legal Division to more closely align the new corporation's independent liquidation effort with its own legal staff. As a result, 1,572 positions were transferred to the new RTC Legal Division from the FDIC Legal Division.

## Legal Affairs Workload

The total number of matters handled by the Legal Division (litigation cases, bankruptcy claims and non-litigation actions) for the FDIC at year-end 1991 was 41,878.

Specifically, the Legal Division's Liquidation Branch, which handles legal matters involving closed banks, had 20,452 litigation cases, 8,464 bankruptcy claims and 6,609 non-litigation matters pending at the close of 1991. There were also 819 professional liability lawsuits and investigations pending at year-end. In addition, in other areas such as bank regulation, legislation, and compliance and enforcement efforts, the Division had 1,915 litigation cases, 51 bankruptcy matters and 3,568 non-litigation matters pending at year-end.

The total number of matters pending in the FDIC Legal Division at the end of 1991 was down significantly from the 159,251 pending at year-end 1990. The reduction is primarily due to the transfer of thrift matters to the RTC Legal Division in September and the closing of more than 28,000 matters by the FDIC Legal Division during the year.

The resources and management systems of the Legal Division have been under considerable strain since 1989 when Congress abolished the Federal Savings and Loan Insurance Corporation, transferred savings association legal work to the FDIC and created the RTC. Continued financial difficulties in the banking and thrift industries have exacerbated the pressures on the Legal Division over the past two years, and the Division is preparing for additional increases in workload over the next two years.

As the result of the Legal Division's own initiatives and reforms suggested by the FDIC's Office of Inspector General, the Division began numerous improvements to better manage its caseload and make more efficient and effective use of outside firms.

While regulatory, enforcement and internal matters are staffed exclusively with in-house attorneys, the FDIC's litigation workload from failed bank liquidations has exceeded in-house capacity and has necessitated the use of outside firms.

Among the steps taken during the year to improve case management was an increase in staff hired to handle FDIC legal matters. After shifts of personnel to the RTC, there was a 19 percent net increase in Legal Division staff devoted to FDIC matters during the year. The Legal Division also is placing 143 new professional liability staff in FDIC offices around the country to improve supervision of professional liability cases. These staff increases should help the Division's management keep abreast of the expanding caseload and increase the number of legal matters handled by in-house attorneys.

The Legal Division also entered into a Memorandum of Understanding with the Civil Division of the Department of Justice in November 1991 that will allow Justice's lawyers to represent the FDIC in cases the Legal Division refers to them. Every case assigned to the Civil Division results in a savings of outside counsel expenditures.

As for the use of outside firms, in February 1991 the Legal Division announced a new fee cap policy that, in effect, spreads FDIC legal work among more law firms. This policy is designed to enhance competition and reduce costs for legal services provided to the FDIC and the RTC. The Legal Division also created a new section that supervises the competitive selection of law firms and implements the fee cap policy. This section has streamlined the law firm contracting process, developed a new guide for outside counsel that do business or want to do business with the FDIC, and overhauled the legal bill payment system.

The Division also unveiled a new automated database that makes Legal Division research materials available electronically to Division staff and outside firms used by the FDIC. This should save the FDIC millions of dollars in research expenditures. In addition, the Division completed the functional design of a sophisticated new information management system to assist in legal work assignment, productivity analysis, budgeting and management planning.

## Litigation Developments

The FDIC, in both its corporate and receivership capacities, was involved in significant court actions during 1991.

The Legal Division, working with the Justice Department and the Office of Thrift Supervision, at year-end was defending more than 30 lawsuits challenging the 1989 application of tougher new capital standards for troubled thrifts that were sold with government assistance in the 1980s. These new capital standards, mandated by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), are important in that they promote efforts to ensure that banks and thrifts are financially healthy and secure.

Most of these lawsuits assert that the Federal Home Loan Bank Board, as the primary federal supervisor of thrifts at that time, made binding contractual commitments to permit institutions to use individualized capital calculations that take so-called "goodwill" into account. Several United States District Courts and Appeals Courts ruled in the government's favor in these goodwill cases during 1991, holding that the FIRREA capital requirements apply. However, some other District Courts ruled against the regulators. The government has filed appeals in most of those cases.

The Legal Division obtained over 25 court decisions during the year defining the role of the receivership claims process. Under this process, all persons with claims against a failed depository institution must participate in a centralized procedure to present their demands for payment and give the receiver an adequate opportunity to decide those claims. The process is crucial because it presents an opportunity to resolve receivership claims without a multiplicity of expensive litigation. During 1991, several U.S. District Courts and Circuit Courts of Appeal held that a claimant may not sue a failed institution absent full compliance with the claims process.

In eight U.S. District Court cases, the Division obtained asset freeze orders under provisions of a new law (the Crime Control Act of 1990) that greatly enhances the ability of the FDIC to recover funds owed to a failed bank receivership from those who have defrauded the institution or otherwise are indebted to it. If the FDIC is suing to recover a debt owed to a failed bank and it appears that the borrower is damaging the collateral or attempting to hide assets, this law authorizes the FDIC to obtain a court order freezing the collateral or assets pending the outcome of the lawsuit.

Among other significant court cases in which decisions were reached in 1991 were the following:

### Gaubert v. United States

In March, the U.S. Supreme Court reversed a lower court decision and ruled that informal enforcement and supervisory actions by the federal banking agencies and their officials are protected from tort claims by failed bank shareholders and others under the Federal Tort Claims Act. This act permits persons to recover monetary damages from the federal government for the actions of its employees.

By protecting the federal banking agencies from this liability, the Court preserved the value of the informal enforcement measures the regulators have used to provide swift and flexible assistance to near-insolvent institutions.

**Armstrong v. Osborn**

In January, the U.S. Circuit Court of Appeals in Denver ruled that the doctrine of "qualified immunity" applies to FDIC bank examiners. The Court ruled that unless examiners violate well-established constitutional or statutory principles, they may not be personally sued for acts taken in the course of their official duties. Qualified immunity will permit examiners to continue to criticize improper activities without fear of retaliatory lawsuits.

**Jameson v. FDIC**

In April, the U.S. Circuit Court of Appeals in New Orleans ruled that federal regulators can retroactively apply a provision of FIRREA that permits federal regulators to prohibit bank or thrift directors and officers from working in the banking industry. Certain individuals who violated banking laws have stopped working in the banking and thrift industry in an attempt to evade a regulator's enforcement jurisdiction. The Court ruled that FIRREA can be applied to directors and officers who stopped working for the institution before that law was enacted.

**Sletteland v. FDIC**

In January, the U.S. Circuit Court of Appeals in Washington, D.C., ruled that the FDIC properly refused to permit an individual from becoming the controlling shareholder of a bank on the basis that he did not have the requisite "competence, experience or integrity" required by law. The Court ruled that the FDIC can apply the same standard of competence it expects of bank management to controlling shareholders.

**Marin Audubon Society v. Seidman**

In November, a U.S. District Court in San Francisco dismissed a suit alleging that the FDIC is required to consult with the U.S. Fish and Wildlife Service before selling a debt instrument secured by land containing an endangered species. The Court agreed with the FDIC that selling the instrument does not affect the environment and therefore does not trigger the consultation requirements of the Endangered Species Act. An appeal against the FDIC has been filed. ❖

# Economic and Policy Research

To effectively supervise banks and protect insured deposits, the FDIC conducts economic analyses, policy research and various kinds of studies. This work is done primarily by the Division of Research and Statistics (DRS) as well as the Legal Division, the Division of Supervision (DOS) and the Division of Accounting and Corporate Services.

Major research activities of 1991 included the development of new systems to more accurately project, further into the future, the costs to the Bank Insurance Fund (BIF) of anticipated bank failures.

## Bank Failures and the BIF

As part of its ongoing research into the costs of bank failures, DRS updated and extended the system it developed in 1988 to estimate the BIF's losses on assets from individual banks expected to close in the future. The original system, based on data from banks that failed in 1985 and 1986, has enabled FDIC officials to make preliminary loss estimates in failing bank cases before more detailed information is available from on-site asset reviews after a bank fails. The FDIC also uses this model to help evaluate the likely costs and benefits of bids received for failing banks.

The refinements to the model in 1991 included updating the historical data to incorporate loss ratios for banks that failed from 1987 through 1989. By using more recent and more detailed receivership data on liquidation losses and expenses, FDIC officials will be better prepared to predict bank failure costs and act on individual failing bank cases.

The FDIC also estimates the impact of future bank failures on the BIF balance by using a list of specific banks that DOS has identified as likely to fail. Prior to October 1991, the FDIC made projections for the BIF balance two years into the future based on DOS's list of banks expected to close in one-to-two years. Although this approach was useful for predicting bank failures over the short run, it was not practical for estimating losses over longer time periods as required for budgetary purposes.

To meet this need, DRS in 1991 developed an "actuarial method" that uses historical data to project the number and assets of failed banks up to three years into the future. This new approach does not predict the failure of specific banks. Instead, banks are grouped according to their financial characteristics. Using past failure rates for banks with those characteristics, DRS makes projections of the number and assets of bank failures in each group. The FDIC first used this model in October to project the BIF balance for year-end 1993 based on year-end 1990 financial data for banks.

## Deposit Insurance Premiums

As another part of its research to assess the condition of the Bank Insurance Fund, DRS staff in 1991 analyzed the likely impact on banks and the BIF of a proposed increase in the premium banks pay for their deposit insurance. This research assisted the FDIC Board in its April 30 decision to increase the BIF assessment rate to 23.0 cents per $100 of domestic deposits from 19.5 cents, effective in the second half of calendar year 1991.

As part of its continuing effort to develop better ways of predicting future bank performance, DRS in early 1991 began analyzing bank loan losses by the type of loan and the size of the bank. DRS then developed a system to estimate a bank's loan charge-offs based on its inventory of noncurrent loans at a given time. This model also will prove useful for helping to predict future bank performance.

## Real Estate Studies

During 1991, DRS continued to monitor and analyze real estate market conditions. The DRS staff publishes two major studies on real estate several times a year. *Real Estate Market Indicators,* published twice in 1991, contains selected data for the nation, regions and metropolitan areas on residential and commercial real estate trends and bank lending activity. The quarterly *Survey of Real Estate Trends* is based on questions posed to approximately 500 examiners and liquidation personnel from the FDIC and other federal banking agencies about the general direction of real estate markets. In 1991, both publications tracked the increasing deterioration of real estate markets in the Northeast and parts of the West as well as improvements in the Southwest.

## Directors' and Officers' Liability

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) required the FDIC, the Secretary of the Treasury and the Attorney General to conduct a comprehensive study of directors' and officers' (D&O) liability insurance and the availability of this type of insurance. The subject is of significance to the FDIC as the agency prosecutes claims against former directors and officers of failed institutions for breach of duty and attempts to collect from insurance companies that bonded those institutions against theft and fraud. The FDIC's staff work on the study was led by the Legal Division. A final report was issued in September 1991.

The report examined existing state laws that limit D&O liability in banking operations, provisions in professional liability bonds that limit coverage in the event of a receivership or conservatorship, and other limits placed upon the coverage or the availability of the insurance. Among the conclusions in the report was that the FDIC's ability to make claims against liability insurance policies has been impaired by recent court decisions enforcing certain provisions in insurance contracts that purport to exclude FDIC claims from coverage. The report recommended that Congress enact legislation that would "preclude attempts by D&O insurance carriers to avoid coverage through reliance on those exclusions."

## Other Research Studies

DRS staff produces two regular publications that are basic reference sources for banking industry statistics: the *Quarterly Banking Profile,* which is the earliest official source of key performance indicators for the banking industry, and *Statistics on Banking,* an extensive annual update of year-end data and ratios for BIF-insured commercial banks and savings associations. In 1991, DRS staff began preparing a new annual publication of historical banking statistics. The publication will present financial and structural data on insured banks since the FDIC began operations in 1934, as well as detailed state-level banking data for the past ten years.

Another DRS publication, the *FDIC Banking Review*, features the results of independent research projects completed by the staff. Topics discussed in the two issues published in 1991 included: causes and implications of the debt crisis in less-developed countries; factors that determine the cost of resolving failed thrifts; a framework for analyzing deposit insurance pricing; an analysis of bank dividend patterns; and, reducing deposit insurance costs through "early corrective action" for troubled banks. ❖

# Other Highlights

## Consumer Relations

The Office of Consumer Affairs (OCA) added an automated feature to its toll-free telephone "hotline" in 1991. The recorded information provides 24-hour, seven-day service to callers. In addition, nearly 103,000 callers spoke to consumer affairs staff in Washington and to personnel in the eight regional supervision offices in 1991. This compares to 83,000 calls last year. The Washington and regional offices also received approximately 8,300 written complaints and inquiries in 1991, compared to more than 10,000 received in 1990. The largest volume of calls and inquiries related to deposit insurance.

OCA hosted two one-day seminars for bankers in Seattle, Washington, and Springfield, Illinois, on complying with consumer rules and regulations. OCA staff also participated in five conferences on deposit insurance issues, which were attended by more than 800 bankers and trade association representatives.

The Office of Consumer Affairs completed the program it began in 1990 to place a Community Affairs Officer (CAO) in each of the FDIC's eight regional supervision offices. The CAO's responsibilities include maintaining contact with community groups, bankers and government officials on issues of community reinvestment and fair lending.

As a result of the FDIC's review of Truth-in-Lending Act compliance, 15,571 consumers received total reimbursements of $2,097,775 from 158 banks during the year.

The FDIC received 13 protests under the Community Reinvestment Act against mergers and other applications filed by four FDIC-supervised institutions in 1991. The FDIC Board approved three of the applications after the protests against the institutions were resolved. A protest against the fourth institution was unresolved at year-end.

## Supervision and Regulation

The Division of Supervision (DOS) issued written guidance to all FDIC-supervised institutions in June clarifying its examination policies on the allowance for loan and lease losses (ALLL). This additional guidance was provided primarily because FDIC examiners had been encountering institutions with inadequate balances in their ALLL despite the increasing importance of these reserves for absorbing estimated losses inherent in the loan and lease portfolio. Also, in response to concerns expressed by some bankers and accountants, DOS emphasized that the method used by examiners to estimate an adequate ALLL results in an amount that the FDIC believes falls within the acceptable range under generally accepted accounting principles.

The FDIC coordinated with banking industry trade associations and training groups in the presentation of 16 two-day Call Report preparation workshops for bankers. In addition, more than 60 Call Report training sessions were conducted for examiners and others.

The FDIC administers and enforces the registration and reporting provisions of the Securities Exchange Act of 1934 for publicly held insured nonmember banks. As of the end of 1991, there were 225 banks registered with the FDIC, compared to 259 registered a year earlier. In addition, 232 FDIC-supervised banks were registered with the FDIC at year-end as having securities transfer activities, 45 were registered as dealers in U.S. government securities and 52 as municipal securities dealers.

The FDIC in 1991 approved 49 applications by FDIC-supervised banks to exercise trust powers. FDIC-supervised banks at year-end had investment discretion over $168.2 billion in trust assets and responsibility for another $658.5 billion in non-discretionary trust assets.

## Operations

The Office of Budget and Corporate Planning (OBCP) coordinated several programs during 1991 to enhance the FDIC's planning, resource allocation and resource management processes. In particular, OBCP initiated a long-range strategic planning process for the agency and began developing forecasting tools to help in budgeting and long-range planning.

The Office of Inspector General's audit activity during 1991 covered 784 liquidations and corporate functions, and identified $77 million in cost recovery and savings to the FDIC. Action by the FDIC management in response to the audits has led to improvements in such areas as liquidation and legal activities, assistance transactions, administrative systems and electronic data processing security. For example, a comprehensive evaluation of the Legal Division's organization, staffing, planning, litigation management and use of outside counsel will help promote wide-ranging improvements in both internal legal operations and legal services provided by outside firms.

The Legal Division continued its efforts to ensure that matters referred to outside counsel are handled by more minority- or women-owned firms. During the year the FDIC conducted several meetings with minority bar associations and sponsored regional outreach conferences for minority- and women-owned law firms. In 1991, the Legal Division's Liquidation Branch referred 25.5 percent of its new outside counsel matters to law firms controlled by minorities or women.

## Information and Publications

FDIC Chairmen Seidman and Taylor, along with other FDIC officials, testified at 40 congressional hearings during 1991. In addition, FDIC officials participated in 18 meetings around the country sponsored by members of the House and Senate to discuss concerns about the availability of credit. At those sessions, FDIC representatives explained joint efforts by banking regulators to improve the climate in which banks and thrifts make loans to creditworthy borrowers and to work with borrowers experiencing difficulties.

The Office of Legislative Affairs (OLA) coordinated responses to approximately 3,000 written inquiries from members of Congress, matching the previous record level in 1989. Many of these inquiries are on behalf of constituents with questions or problems. OLA also followed congressional action on 207 bills introduced during 1991 on banking, deposit insurance reform and other subjects of interest to the FDIC. Of those, 82 received in-depth analysis and review by OLA in cooperation with the Legal Division and other parts of the FDIC.

The Office of Corporate Communications (OCC) introduced a new quarterly publication that warns insured institutions and FDIC examination staff about scams and fraud artists targeting banks and their customers. In developing each issue of the *FDIC Fraud Alert,* OCC works closely with investigators in the Legal Divisions of the FDIC and the Resolution Trust Corporation (RTC), the Divisions of Liquidation and Supervision, and the U.S. Department of Justice. OCC also updated *Symbol of Confidence,* the FDIC's widely distributed booklet explaining the agency's mission and operations to the public.

Media interest in the FDIC's operations continued to increase during 1991 as a result of major bank failures and congressional debate over banking legislation. To provide information to the local media and to assist customers with questions about bank failures or their own accounts, OCC sent staff to the sites of bank failures during 1991.

OCC received more than 1,500 telephone calls a week from the media and the public requesting information about FDIC policy decisions and industry data. OCC also worked with DOL and DOS regional offices to conduct press briefings in Connecticut, Massachusetts and New Hampshire to explain the FDIC's supervisory and liquidation functions in the Northeast. The communications office also provided media training for FDIC staff in several locations to assist them in responding to media requests.

## FDIC Staff

Total employment nationwide for the FDIC and RTC combined was 22,586, up from 19,247 the previous year. The major staff increases, however, occurred in the RTC, where employment increased to 8,614 from 4,899. Most of the RTC work force have assignments of limited duration.

DOS hired approximately 600 new financial institution examiner trainees during 1991. Nearly all of them were hired under the Outstanding Scholar Program, which requires a college grade point average of at least 3.5 or a ranking in the top 10 percent of the class. DOS anticipates hiring another 500 trainees in 1992. DOS field examiner staff totaled more than 3,000 at year-end 1991.

**Number of Officials and Employees of the FDIC, 1990-1991 (Year-end)**

| | Total | | Washington Office | | Regional/ Field Offices | |
|---|---|---|---|---|---|---|
| | 1991 | 1990 | 1991 | 1990 | 1991 | 1990 |
| Executive Offices* | **201** | 152 | **192** | 152 | **9** | 0 |
| Resolution Trust Corporation+ | **8,614** | 4,899 | **1,237** | 505 | **7,377** | 4,394 |
| Division of Supervision | **3,813** | 3,400 | **162** | 120 | **3,651** | 3,280 |
| Division of Liquidation+ | **6,097** | 6,311 | **55** | 54 | **6,042** | 6,257 |
| Division of FSLIC Operations^ | **0** | 213 | **0** | 213 | **0** | 0 |
| Legal Division | **1,983** | 2,345 | **480** | 437 | **1,503** | 1,908 |
| Division of Accounting and Corporate Services | **1,304** | 1,529 | **764** | 739 | **540** | 790 |
| Division of Research and Statistics | **46** | 41 | **46** | 41 | **0** | 0 |
| Division of Resolutions | **105** | 0 | **19** | 0 | **86** | 0 |
| Office of the Inspector General | **140** | 117 | **118** | 96 | **22** | 21 |
| Office of Personnel Management | **247** | 213 | **242** | 213 | **5** | 0 |
| Office of Equal Opportunity | **36** | 27 | **36** | 27 | **0** | 0 |
| **Total** | **22,586** | 19,247 | **3,351** | 2,597 | **19,235** | 16,650 |

* Executive Offices include the Offices of the Chairman, Vice Chairman, Director (Appointive), Executive Secretary, Corporate Communications, Legislative Affairs, Budget and Corporate Planning, Consumer Affairs, and Training and Educational Services.

\+ The Resolution Trust Corporation (RTC) and the Division of Liquidation totals include temporary employees, most of whom were employed by failed banks or savings associations and assigned to field liquidations.

^ The Division of FSLIC Operations was transferred to the RTC in 1991.

The Office of Training and Educational Services (OTES) completed its first full year of operation in 1991, directly offering or sponsoring 2,725 courses for 40,580 staff members from the FDIC, RTC and other state and federal financial regulatory agencies. The large increase in "students" trained — up from 18,305 in 1990 — is in part attributable to expanded microcomputer courses. Examiner training also continued to grow, with 5,425 students in 1991, compared to 4,663 in 1990. In the spring, OTES moved its operations to the newly completed L. William Seidman Center in Arlington, Virginia.

The FDIC's Office of Equal Opportunity and individual staff members received several awards and citations during the year in appreciation for efforts in areas such as job placement for disabled veterans and the visually impaired. These included special recognition from the U.S. Department of Veterans Affairs, the Asian Business Association and the National Coalition of Employers.

Recipients of the FDIC's 1991 honorary awards were: Patricia Kirkpatrick, Chief of the Administrative Management Section in the Division of Accounting and Corporate Services (DACS) in Washington (winner of the Chairman's Award, presented to an exceptional non-examiner employee); Frederick W. Watson, DOS Field Office Supervisor, Concord, New Hampshire (winner of the Edward J. Roddy Award for distinguished service as a career examiner); and Carolyn E. Simms, Word Processing Operator in DACS, Washington (winner of the Nancy K. Rector Award, presented to an employee who expands opportunities for others).

A total of 35 employees from the FDIC and the RTC were called up for service during the Persian Gulf War. ❖


# Regulations and Legislation

FDIC officials worked with the interagency Federal Financial Institutions Examination Council in 1991 to adopt uniform policies in areas such as bank securities purchases and community reinvestment.

# Rules and Regulations

## Final Rules

### Leverage Capital

The FDIC amended Part 325 of its regulations to bring the definition of capital under the leverage requirements more closely into line with risk-based capital guidelines that went into effect at year-end 1990. The final rule replaces the "primary" and "total" capital definitions with a more narrow definition called "Tier 1" or "core" capital and provides a minimum standard capital-to-assets ratio for the new definition. This new ratio will be used to determine the safety and soundness of insured state nonmember banks and to evaluate applications from all insured institutions.

Approved: February 28, 1991
Published: **Federal Register** March 11, 1991

### Insurance Premiums

FIRREA required the FDIC to increase the Bank Insurance Fund's (BIF) reserves to $1.25 for every $100 of insured deposits within a reasonable period. Accordingly, the FDIC amended Part 327 of its regulations to increase the deposit insurance assessment paid by BIF members. The rate had been 19.5 cents per $100 of domestic deposits, effective January 1, 1991. On April 30, 1991, the FDIC's Board of Directors approved an increase in the premium to 23 cents per $100 of deposits, effective July 1, 1991.

Approved: April 30, 1991
Published: **Federal Register** May 7, 1991

### Savings Associations Converting to Banks

The FDIC amended Part 333 of its regulations to implement a rule requiring federally insured savings associations that convert to bank charters to continue adhering to restrictions on high-risk activities imposed on savings associations by FIRREA. Those restrictions include a prohibition on non-investment grade securities, limits on loans to one borrower and prohibitions on loans to affiliates engaging in certain high-risk activities. The final rule covers savings associations converting to savings banks as well as conversions to any kind of SAIF-insured state bank.

Approved: April 30, 1991
Published: **Federal Register** May 6, 1991

### Community Reinvestment

Title XII of FIRREA requires each federal financial regulatory agency to evaluate the Community Reinvestment Act (CRA) performance of the institutions it regulates using a four-tiered descriptive rating system. This revision to Part 345 of the FDIC's rules and regulations requires insured state nonmember banks to disclose their CRA evaluations and ratings to the public.

Approved: March 26, 1991
Published: **Federal Register** June 12, 1991

### Fair Housing

The FDIC streamlined the fair housing recordkeeping requirements of Part 338 of its regulations by eliminating the FDIC home loan application log sheet that banks were maintaining along with the loan and application register required by the Home Mortgage Disclosure Act (HMDA). As a result of previous revisions to HMDA and the Federal Reserve Board's Regulation C, the FDIC log sheet and the HMDA register were very similar and many banks had been required to maintain two largely duplicative forms.

Approved: September 24,1991
Published: **Federal Register** October 3, 1991

### Security Procedures

The FDIC amended Part 326 of its regulations governing the minimum security devices and procedures at banks. The revised rule provides institutions with greater flexibility in selecting appropriate security devices in light of the rapid changes in technology.

Approved: March 26, 1991
Published: **Federal Register** April 3, 1991

### Entrance and Exit Fees

Under FIRREA, institutions that transfer between the two deposit insurance funds are required to pay entrance and exit fees. The FDIC is required to set the amount of the fees and the procedures for payment. The FDIC revised Part 312 of its regulations to modify the basis for calculating the entrance fee and to delete the requirement that entrance fees be computed once a year based on audited year-end FDIC financial statements. Instead, the FDIC will recompute the reserve ratio quarterly using unaudited data. The reserve ratio to be used when calculating entrance fees for a particular conversion transaction is the most recent quarterly reserve ratio calculated by the FDIC before the date of the conversion transaction.

Approved: June 25, 1991
Published: **Federal Register** July 1, 1991

### Administrative Hearings

The FDIC, in conjunction with other federal bank regulators, revised Part 308 of its regulations to reflect the standard uniform rules of practice and procedures for administrative hearings required by FIRREA.

Approved: July 30, 1991
Published: **Federal Register** August 9, 1991 ❖

# Proposed Rules

## Golden Parachutes and Indemnifications

The Crime Control Act of 1990 amended the Federal Deposit Insurance Act to prohibit or limit "golden parachute" and indemnification payments. The FDIC proposal implementing this statute would prohibit an institution or holding company in a troubled condition or nearly insolvent from making any golden parachute payment to any employee or director. Exceptions would be made for: officers hired with the consent of the primary regulator and the FDIC; company-wide severance pay plans that pay a maximum of six months' salary to all employees who lose their jobs in a cost-cutting move; and *bona fide* deferred compensation plans.

The proposal also would restrict the ability of insured depository institutions and holding companies to indemnify employees involved in administrative or civil actions instituted by federal banking agencies.

Proposed: September 24, 1991
Published: **Federal Register** October 7,1991

## Appraisals

Part 323 of the FDIC's regulations identifies the real estate-related transactions that require an appraiser, establishes minimum standards for performing appraisals and distinguishes between appraisals that require the services of a state-certified appraiser and those that require a state-licensed appraiser.

The FDIC proposed amendments to reduce the number of transactions requiring a certified or licensed appraiser by raising the previous $50,000 threshold to $100,000 and by permitting the use of appraisals prepared for loans insured or guaranteed by federal agencies. The regulations would not apply to mineral rights, timber rights or growing crops.

Proposed: September 10, 1991
Published: **Federal Register** September 17, 1991

## Insider Transactions

The FDIC issued for comment a proposal dealing with conflicts of interest that can result from insider transactions. Under the proposal, business dealings between an insured state nonmember bank and its directors, officers and principal shareholders must meet an arm's-length standard similar to that used for loans. The proposal also would require some large transactions to be approved by the bank's board of directors and would require bank insiders to disclose their conflicts of interests.

Further, the proposal would create recordkeeping requirements and require the bank's board of directors to adopt written guidelines governing covered business dealings. In addition, insured state nonmember banks would be barred under the proposal from investing in real estate in which any of the bank's insiders has an equity interest. The proposal would not affect loan transactions already covered by the Federal Reserve Board's Regulation O.

Proposed: July 30, 1991
Published: **Federal Register** August 8, 1991

## Adverse Contracts

The FDIC proposed a new Part 334 to its regulations to carry out FIRREA's ban on insured depository institutions' entering into contracts for goods, products or services that would adversely affect safety and soundness. The agency also sought comments on ways to prevent special problems involving contracts between an insured institution and its parent company or a nondepository affiliate of the company.

Proposed: March 26, 1991
Published: **Federal Register** April 1, 1991 ❖

# Legislation Enacted

Congress expanded the borrowing authority of the FDIC and provided for sweeping supervisory and regulatory reforms with passage of the Federal Deposit Insurance Corporation Improvement Act of 1991. President Bush signed the bill into law on December 19, 1991.

The final approval of this major legislation came after months of congressional debate following the release of a Treasury Department study in February 1991 that set forth the Bush Administration's recommendations for deposit insurance reform, regulatory changes and financial services restructuring. The legislation approved by Congress was less comprehensive than the Administration's proposals, but it contains numerous changes to the ways the FDIC supervises, regulates and resolves insured depository institutions.

While this omnibus legislation dominated congressional debate over banking issues, Congress also in 1991 gave the Resolution Trust Corporation (RTC) additional money to continue to close failing savings associations and made other changes affecting the RTC and the FDIC. Congress separately provided the FDIC with additional money to renegotiate and to pay for agreements between the now defunct Federal Savings and Loan Insurance Corporation (FSLIC) and savings associations — authority first given to the FDIC in 1989.

## The FDIC Improvement Act

The following are major provisions of The Federal Deposit Insurance Corporation Improvement Act of 1991 (P.L. 102-242):

## The Insurance Funds

### FDIC Borrowing Authority

The FDIC's authority to borrow from the Treasury Department to cover insurance losses is increased to $30 billion from $5 billion. The funds will be repaid through deposit insurance assessments. In addition, the new law permits the FDIC to borrow money on a short-term basis for working capital, subject to an overall cap. Working capital borrowing may not exceed the amount of cash and cash equivalents held by the insurance fund, 90 percent of the estimated fair market value of the assets held by the fund, and the amount authorized to be borrowed from the Treasury to cover insurance losses. Funds borrowed for working capital are to be repaid with proceeds from the sales of assets acquired from failed institutions.

### Recapitalization

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 required the FDIC to boost the reserves of the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) to $1.25 for every $100 of insured deposits. The FDIC Improvement Act of 1991 expanded on that mandate by requiring the FDIC Board of Directors to adopt deposit insurance premiums in accordance with a recapitalization schedule that is expected to result in the BIF meeting the designated reserve ratio within 15 years. For the SAIF, the Board must set insurance premiums that will bring reserves to the required ratio within a "reasonable" time frame.

## Supervisory Reforms

### Prompt Regulatory Action

The new law requires federal regulators to establish five capital zones, ranging from well-capitalized to critically undercapitalized, that will serve as the basis for mandatory "prompt corrective action." As an institution's capital declines, the appropriate regulator must take increasingly stringent measures. The sanctions begin with restrictions on deposit gathering for depository institutions that are not well-capitalized and culminate in the closing of depository institutions that are critically undercapitalized for a prescribed period.

### Annual Examinations

With certain exceptions, federally insured depository institutions must undergo an on-site safety and soundness examination at least once a year starting in 1994. Institutions that meet certain performance criteria and have less than $100 million in assets need only to be examined every 18 months. Prior to 1994, examinations must be performed at least every 18 months unless the bank is troubled or changes ownership. Federal regulators may rely on examinations by state regulators in alternate years.

### Standards for Sound Management

Each primary federal regulator is required to prescribe a number of standards relating to areas such as internal controls, credit underwriting, interest rate exposure, asset growth and compensation of officers. Final regulations must be effective by December 1, 1993.

**FDIC Back-Up Enforcement Authority**
In essence, existing FDIC back-up enforcement authority over insured savings associations is extended to cover national banks and state member banks. The FDIC is given the authority to recommend that the primary federal regulator of an institution take specified enforcement action against any insured depository institution or affiliate of the institution. If a federal banking agency fails to take the recommended action or an acceptable alternative within 60 days, the FDIC may step in and take action.

**Outside Audits**
Each insured institution must submit to the FDIC and other appropriate regulators an annual financial statement audited by an independent public accountant. An exception is provided for institutions with assets of less than $150 million or a larger asset size determined by the FDIC.

**Real Estate Lending**
The federal regulators must adopt uniform standards by March 19, 1993, for real estate lending by insured depository institutions. In setting standards, the regulators must take into account such factors as the risks different types of loans present to the bank and savings association insurance funds, the safety and soundness of the institution and the availability of credit.

**State Powers**
An insured state-chartered bank is prohibited from engaging in an activity not permitted for a national bank unless the FDIC decides the activity poses no significant risk to the BIF and the bank meets the agency's capital standards. With certain exceptions, state banks are prohibited from insurance underwriting and from acquiring an equity investment when such activities are not permitted for national banks.

**Paying Examination Costs**
The FDIC is authorized to recoup the cost of conducting regular or special examinations by charging fees to the insured institution and any affiliate examined.

## Failed Banks

**Least-Cost Resolution**
The FDIC must choose the least-cost alternative in resolving failing institutions. Previously, the agency by law was required to select a resolution that was less costly than a payout of insured deposits and a liquidation of the assets. A "systemic risk" exception applies to the least-cost provision of the new law (see following paragraph). This provision was effective upon enactment of the law.

**Too Big to Fail**
The least-cost requirement may be waived under specified "systemic risk" situations. The FDIC Board, the Board of Governors of the Federal Reserve System and the Secretary of the Treasury, in consultation with the President, must agree that compliance with these provisions would have a serious impact on economic conditions or financial stability. Any loss to the BIF under this exception must be recovered through a special assessment to be paid by BIF-insured banks.

## Deposit Insurance Reform

**Risk-Based Premiums**
Effective January 1, 1994, the FDIC must establish a system that sets deposit insurance assessments paid by institutions according to the risks an institution poses to the insurance fund. The FDIC is permitted to obtain private reinsurance to cover a maximum of ten percent of any loss from the failure of an insured institution. The FDIC also may base an institution's semiannual assessment on the cost of the reinsurance.

**Changes in Coverage**
Among the changes in the deposit insurance rules mandated by the new law is the requirement that the FDIC aggregate an individual's interests in all Individual Retirement Accounts (IRAs), Keogh Plan accounts and certain other pension accounts, and insure the total up to $100,000. The law also puts new restrictions on the insurance coverage of Bank Investment Contracts (a type of liability issued by a bank and usually purchased by a pension fund sponsor) and Section 457 Plan accounts (a type of deferred compensation plan most commonly provided for employees of state and local governments).

**Applications for Deposit Insurance**
The FDIC may deny insurance to any applicant for deposit insurance, including national banks and state-chartered banks supervised by the Federal Reserve Board. Previously, only FDIC-supervised state-chartered banks and federal and state savings associations were required to apply to the FDIC for insurance.

**Brokered Deposits**
The new law places additional restrictions on the use of brokered deposits by insured institutions and imposes certain interest rate limits on those deposits. Institutions considered by the regulators to be "undercapitalized" will be prohibited from accepting brokered deposits and will be subject to interest rate limits on the

deposits they solicit directly from the public. Institutions classified as "adequately capitalized" can accept brokered deposits if they first obtain a waiver from the FDIC. These institutions also will be subject to interest rate restrictions on all deposits, not just those obtained through third-party money brokers. Institutions meeting the regulators' definition of "well-capitalized" can accept brokered deposits without limit and are not subject to interest rate restrictions.

## Consumer Protection

**Affordable Housing**
To provide home ownership and rental housing opportunities for low-income families, the FDIC must establish an affordable housing program in connection with the agency's disposition of property. The program, scheduled to last three years, is contingent on a congressional appropriation.

**Truth in Savings**
The new law requires uniformity in the disclosure of terms and conditions used by insured institutions to determine interest paid and fees assessed.

**Incentives for Deposit Accounts, Loans**
Subject to appropriations from Congress, institutions offering no-frills, low-cost "lifeline accounts" for low-income persons would be assessed for deposit insurance at a lower rate. Assessment credits would be provided for lending and other activities in economically distressed areas.

**Branch Closings**
Before closing a branch, a bank must notify the appropriate federal banking agency and the customers of the affected branch at least 90 days in advance.

## RTC Legislation

The following are highlights of The Resolution Trust Corporation Refinancing, Restructuring and Improvement Act of 1991 (P.L. 102-233):

**New RTC Structure**
The FDIC Board of Directors no longer serves as the RTC Board. The Chairman of the FDIC no longer serves as manager of the RTC and is replaced by a Chief Executive Officer at the RTC. The RTC Oversight Board was recast into the Thrift Depositor Protection Oversight Board, composed of the Chairman of the FDIC, the Director of the Office of Thrift Supervision, the Chief Executive Officer of the RTC, the Chairman of the Federal Reserve Board, the Secretary of the Treasury and two private sector representatives.

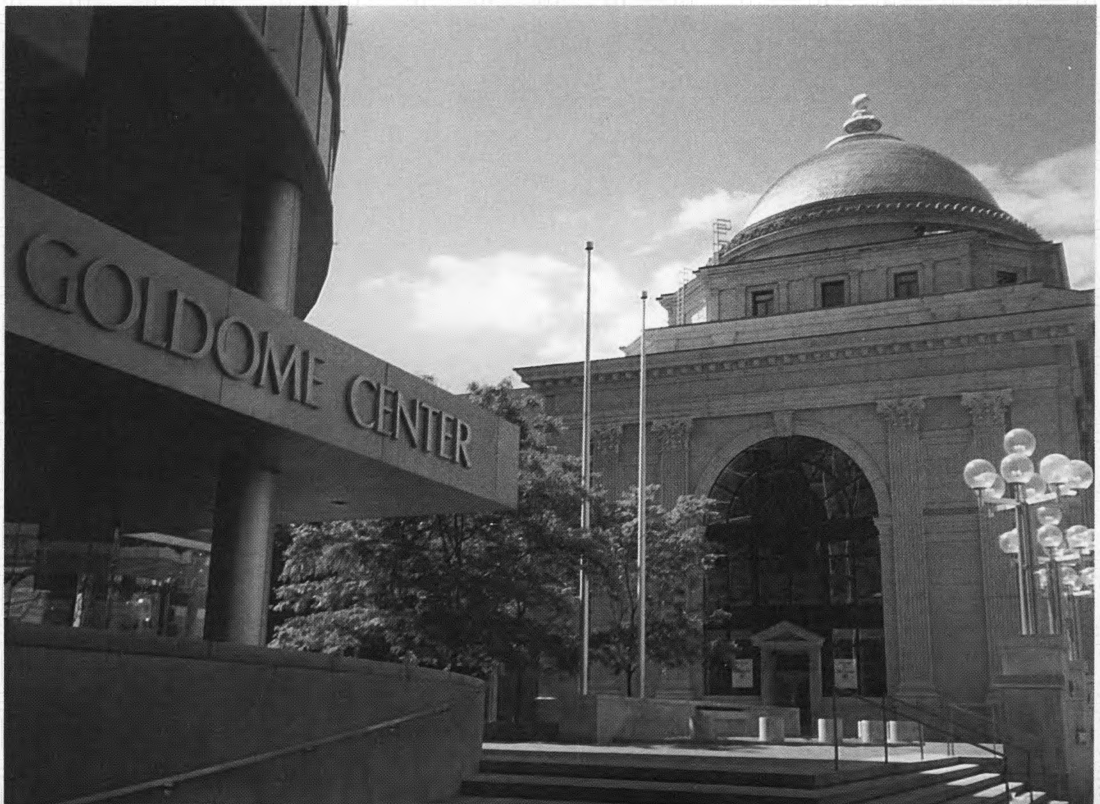
**Thrift Resolutions by the FDIC**
The new law defers, from August 9, 1992, to October 1, 1993, the date by which the FDIC's Savings Association Insurance Fund (SAIF) becomes responsible for handling the resolution of failed thrifts. The RTC will continue to handle the resolution of failed thrifts until October 1, 1993. The period for which the Treasury Department must make up any shortfall in annual funding goals of the SAIF is delayed one year and now runs from 1993 to 2000.

**Real Estate Appraisals**
The new law clarifies and revises provisions of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) that mandated the use of state-certified or state-licensed appraisers in connection with certain real estate transactions. The new law clarifies that the interagency FFIEC may not set qualifications or experience requirements for the states in the licensing of appraisers, and that recommendations of the FFIEC's Appraisal Subcommittee are not binding on the states. The law also extended to December 31, 1992, the date by which federally regulated depository institutions must use these appraisers. The law also made it easier for institutions to obtain temporary waivers in circumstances where a scarcity of qualified appraisers would result in delays.

## FSLIC Obligations

The Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act of 1992 (P.L. 102-139) contains the following:

**FSLIC Resolution Fund**
FIRREA provided that annual congressional appropriations will supply any shortfall in funds used to meet contractual obligations of the former FSLIC. The 1989 law also made the FDIC responsible for administering all FSLIC obligations. Once FIRREA was enacted, the FDIC created the FSLIC Resolution Fund (FRF) to cover these obligations. For Fiscal Year 1992, the FDIC asked for about $15.9 billion in congressional appropriations for the FSLIC obligations. In addition, the FDIC and the RTC identified potential cost savings of nearly $2 billion that could be achieved if Congress provided the FRF with an additional $10 billion to prepay certain notes and to resolve five FSLIC-assisted institutions. Congress approved the amount the FDIC requested. President Bush signed the legislation into law on October 28, 1991. ❖




Caryl A. Austrian

# Financial Statements

The resolution of Goldome, a savings institution based in Buffalo, New York, was one of the largest transactions handled by the FDIC in 1991.

# Financial Statements

Bank Insurance Fund

**B I F**

Financial
Statements

Federal Deposit Insurance Corporation

**Bank Insurance Fund**
**Statements of Income and the Fund Balance**

| Dollars in Thousands | For the Year Ended December 31 | |
|---|---|---|
| | **1991** | **1990** |
| **Revenue** | | |
| Assessments earned (Note 12) | $ 5,160,486 | $ 2,855,263 |
| Interest on U.S. Treasury obligations | 471,072 | 855,252 |
| Other revenue | 158,409 | 147,079 |
| | **5,789,967** | **3,857,594** |
| **Expenses and Losses** | | |
| Administrative expenses | 284,147 | 219,581 |
| Provision for insurance losses - Actual (Note 6) | 49,192 | 4,448,055 |
| Provision for insurance losses - Unresolved (Note 6) | 15,427,000 | 7,685,033 |
| Interest and other insurance expenses (Note 13) | 1,102,056 | 669,962 |
| | **16,862,395** | **13,022,631** |
| **Net (Loss)** | **(11,072,428)** | **(9,165,037)** |
| **Fund Balance - Beginning** | **4,044,486** | **13,209,523** |
| **Fund Balance - Ending** | **$ (7,027,942)** | **$ 4,044,486** |

The accompanying notes are an integral part of these financial statements.

Federal Deposit Insurance Corporation

## Bank Insurance Fund
## Statements of Financial Position

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| **Assets** | | |
| Cash and cash equivalents (Note 3) | $ 1,770,016 | $ 1,122,179 |
| Investment in U.S. Treasury obligations, net (Note 4) | 3,302,861 | 5,649,222 |
| Accrued interest receivable on investments and other assets | 163,986 | 196,795 |
| Net receivables from bank resolutions (Note 5) | 21,014,834 | 12,935,346 |
| Property and buildings (Note 7) | 163,466 | 145,218 |
| | **26,415,163** | **20,048,760** |
| | | |
| **Liabilities and the Fund Balance** | | |
| Accounts payable, accrued and other liabilities | 83,835 | 87,942 |
| Notes Payable - Federal Financing Bank borrowings (Note 8) | 10,745,964 | -0- |
| Liabilities incurred from bank resolutions (Note 9) | 6,106,324 | 8,079,396 |
| Estimated Liabilities for: (Note 11) | | |
| Unresolved cases | 16,345,871 | 7,685,033 |
| Litigation losses | 161,111 | 151,903 |
| **Total Liabilities** | **33,443,105** | **16,004,274** |
| | | |
| **Fund Balance** | **(7,027,942)** | **4,044,486** |
| | | |
| | **$ 26,415,163** | **$ 20,048,760** |

The accompanying notes are an integral part of these financial statements.

Federal Deposit Insurance Corporation

## Bank Insurance Fund
## Statements of Cash Flows

| Dollars in Thousands | For the Year Ended December 31 | |
|---|---|---|
| | **1991** | **1990** |
| **Cash Flows From Operating Activities** | | |
| Cash inflows from: | | |
| Assessments | $ 5,163,249 | $ 2,851,561 |
| Interest on U.S. Treasury obligations | 600,748 | 1,019,085 |
| Recoveries from bank resolutions | 7,880,293 | 2,700,099 |
| Miscellaneous receipts | 30,717 | 51,518 |
| Cash outflows for: | | |
| Administrative expenses | 340,550 | 218,214 |
| Disbursements for bank resolutions | 22,902,196 | 9,834,529 |
| Interest paid on indebtedness incurred from bank resolutions | 259,294 | 309,031 |
| **Net Cash Used by Operating Activities** | **(9,827,033)** | **(3,739,511)** |
| | | |
| **Cash Flows From Investing Activities** | | |
| Cash inflows from: | | |
| Maturity and sale of U.S. Treasury obligations | 2,299,319 | 3,199,544 |
| Gain on sale of U.S. Treasury obligations | 3,806 | 6,143 |
| Cash outflows for: | | |
| Property and buildings | 20,916 | 48,932 |
| **Net Cash Provided by Investing Activities** | **2,282,209** | **3,156,755** |
| | | |
| **Cash Flows From Financing Activities** | | |
| Cash inflows from: | | |
| Federal Financing Bank borrowings | 10,607,000 | -0- |
| Cash outflows for: | | |
| Payments of indebtedness incurred from bank resolutions | 2,414,339 | 3,088,710 |
| **Cash Provided (Used) by Financing Activities** | **8,192,661** | **(3,088,710)** |
| | | |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | **647,837** | **(3,671,466)** |
| **Cash and Cash Equivalents - Beginning** | **1,122,179** | **4,793,645** |
| **Cash and Cash Equivalents - Ending** | **$ 1,770,016** | **$ 1,122,179** |

The accompanying notes are an integral part of these financial statements.

*Notes to Financial Statements*
*Bank Insurance Fund*
*December 31, 1991 and 1990*

## 1. Legislative History and Reform

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) was enacted to reform, recapitalize and consolidate the federal deposit insurance system. FIRREA designated the Federal Deposit Insurance Corporation (FDIC) as administrator of the Bank Insurance Fund (BIF), which insures the deposits of all BIF-member institutions (normally commercial banks) and the Savings Association Insurance Fund (SAIF), which insures the deposits of all SAIF-member institutions (normally thrifts). Both insurance funds are maintained separately to carry out their respective mandates. The FDIC also administers the FSLIC Resolution Fund (FRF), which is responsible for winding up the affairs of the former Federal Savings and Loan Insurance Corporation (FSLIC).

The Omnibus Budget Reconciliation Act of 1990 removed caps on assessment rate increases and allowed for semi-annual rate increases. In addition, this Act permitted the FDIC, on behalf of the BIF and the SAIF, to borrow from the Federal Financing Bank (FFB) under terms and conditions determined by the FFB.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (1991 Act) was enacted to further strengthen the FDIC. The FDIC's authority to borrow from the U.S. Treasury was increased from $5 billion to $30 billion. However, the FDIC cannot incur any additional obligation for the BIF or the SAIF if the amount of obligations in the respective Fund would exceed the sum of: 1) its cash and cash equivalents; 2) the amount equal to 90 percent of the fair-market value of its other assets; and 3) its portion of the total amount authorized to be borrowed from the U.S. Treasury (excluding FFB borrowings).

As required by the 1991 Act, U.S. Treasury borrowings are to be repaid from assessment revenues. The FDIC must provide the U.S. Treasury a repayment schedule demonstrating that assessment revenues are adequate to make payment when due. In addition, the FDIC now has authority to increase assessment rates more frequently than semiannually and impose emergency special assessments as necessary to ensure that funds are available for these payments.

Other provisions of the 1991 Act require the FDIC to strengthen the banking industry with improved capital standards and regulatory controls, implement a risk-based assessment system and limit insurance coverage for uninsured liabilities. The FDIC must also resolve troubled institutions in a manner that will result in the least possible cost to the deposit insurance funds and provide a schedule for bringing the reserves in the insurance funds to 1.25 percent of insured deposits.

## 2. Summary of Significant Accounting Policies

### General

These financial statements pertain to the financial position, results of operations and cash flows of the BIF. These statements do not include reporting for assets and liabilities of closed banks for which the BIF acts as receiver or liquidating agent. Periodic and final accountability reports of the BIF's activities as receiver or liquidating agent are furnished to courts, supervisory authorities and others as required.

### U.S. Treasury Obligations

Securities are intended to be held to maturity and are shown at amortized cost, which is the purchase price of securities less the amortized premium or plus the accreted discount. Such amortizations and accretions are computed on a daily basis from the date of acquisition to the date of maturity. Interest is calculated on a daily basis and recorded monthly using the constant yield method.

### Allowance for Loss on Receivables from Bank Resolutions

A receivable and an associated estimated allowance for loss are established for funds advanced for assisting and closing banks. The allowance for loss represents the difference between the funds advanced and the expected repayment. The latter is based on the estimated cash recoveries from the assets of assisted or failed banks, net of all estimated liquidation costs. Estimated cash recoveries also include dividends and gains on sales from equity instruments acquired in assistance agreements (the proceeds of which are deferred pending final settlement of the assistance transaction).

### Escrowed Funds from Resolution Transactions

In various resolution transactions, the BIF pays the acquirer the difference between failed bank liabilities assumed and assets purchased, plus or minus any premium or discount. The BIF considers the amount of the deduction for assets purchased to be funds held on behalf of the receivership. The funds will remain in escrow and accrue interest until such time as the receivership uses the funds to: 1) repurchase assets under asset put options; 2) pay preferred and secured claims; 3) pay receivership expenses; or 4) pay dividends.

### Litigation Losses

The BIF accrues, as a charge to current period operations, an estimate of loss from litigation against the BIF in both its corporate and receivership capacities. The FDIC's Legal Division recommends these estimates on a case-by-case basis.

### Receivership Administration

The BIF is responsible for controlling and disposing of the assets of failed institutions in an orderly and efficient manner. The assets, and the claims against those assets, are accounted for separately to ensure that liquidation proceeds are distributed in accordance with applicable laws and regulations. Costs and expenses related to specific receiverships are charged directly to those receiverships. The BIF also recovers indirect liquidation expenses from the receiverships.

**Cost Allocations Among Funds**

Operating expenses (including personnel, administrative and other indirect expenses) not directly charged to each Fund under the FDIC's management are allocated on the basis of the relative degree to which the expenses were incurred by the Funds.

**Depreciation**

The Washington office buildings and the L. William Seidman Center in Arlington, Virginia, are depreciated on a straight-line basis over a 50-year estimated life. The San Francisco condominium offices are depreciated on a straight-line basis over a 35-year estimated life. The BIF expenses its share of furniture, fixtures and equipment at the time of acquisition because of their immaterial amounts.

**Reclassifications**

Reclassifications have been made in the 1990 Financial Statements to conform to the presentation used in 1991.

**Related Parties**

The nature of related parties and a description of related party transactions are disclosed throughout the financial statements and footnotes.

**Restatement**

Beginning in 1991, management has changed certain accounting presentations to more appropriately reflect financial position and cash flows. Accordingly, the following changes have affected both the Statement of Financial Position and the Statement of Cash Flows: 1) Cash and Cash Equivalents and Liabilities Incurred from Bank Resolutions for 1990 have been restated to reflect the offset of certain amounts previously included with liabilities and 2) Net Receivables from Bank Resolutions and Liabilities Incurred from Bank Resolutions for 1990 have been restated to include capital instruments previously presented as off-balance sheet financial instruments.

## 3. Cash and Cash Equivalents

The BIF considers cash equivalents to be short-term, highly liquid investments with original maturities of three months or less. In 1991, cash restrictions included $8,176,000 for health insurance payable and $1,084,000 for funds held in trust. In 1990, there was a cash restriction represented by funds held in trust totaling $146,425,000. The funds related to a litigation settlement on the sale to Citicorp of the Delaware Bridge Bank (the credit card subsidiary of First RepublicBank of Texas). Those funds were released in July of 1991. Cash and cash equivalents for 1990 have been restated to conform to the presentation used in 1991, and resulted in a decrease of $94,006,000 in the 1990 cash and cash equivalents line item. Cash and cash equivalents are as follows:

**Cash and Cash Equivalents**

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| Cash | $ 299,311 | $ 467,033 |
| Cash equivalents | 1,470,705 | 655,146 |
| | **$ 1,770,016** | **$ 1,122,179** |

## 4. U.S. Treasury Obligations

All cash received by the BIF is invested in U.S. Treasury obligations unless the cash is: 1) to defray operating expenses; 2) for outlays related to assistance to banks and liquidation activities; or 3) invested in short-term, highly liquid investments. The unamortized premium, net of unaccreted discount, for 1991 and 1990 was $2,861,000 and $49,222,000, respectively. The amortized premium, net of accreted discount, for 1991 and 1990 was $47,042,000 and $76,594,000, respectively. The BIF investment portfolio consisted of the following:

**U.S. Treasury Obligations**

Dollars in Thousands — **December 31, 1991**

| Maturity | Description | Yield to Maturity at Market | Book Value | Market Value | Face Value |
|---|---|---|---|---|---|
| Less than 1 year | U.S.T. Bills, Notes & Bonds | 4.07% | $ 1,619,709 | $ 1,647,748 | $ 1,600,000 |
| 1-3 years | U.S.T. Notes & Bonds | 4.52% | 1,683,152 | 1,765,410 | 1,700,000 |
| | | | **$ 3,302,861** | **$ 3,413,158** | **$ 3,300,000** |

Dollars in Thousands — **December 31, 1990**

| Maturity | Description | Yield to Maturity at Market | Book Value | Market Value | Face Value |
|---|---|---|---|---|---|
| Less than 1 year | U.S.T. Bills, Notes & Bonds | 6.92% | $ 1,711,922 | $ 1,714,568 | $ 1,700,000 |
| 1-3 years | U.S.T. Notes & Bonds | 7.23% | 3,937,300 | 3,970,721 | 3,900,000 |
| | | | **$ 5,649,222** | **$ 5,685,289** | **$ 5,600,000** |

## 5. Net Receivables from Bank Resolutions

**Net Receivables from Bank Resolutions**

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| **Receivables from Open Banks:** | | |
| Open banks | $ 1,361,054 | $ 1,724,163 |
| Capital instruments | 73,500 | 179,488 |
| Notes receivable | 181,500 | 186,000 |
| Accrued interest receivable | 6,876 | 7,777 |
| Allowance for losses | (1,198,946) | (1,207,158) |
| | **423,984** | **890,270** |
| **Receivables from Closed Banks:** | | |
| Loans and related assets | 1,654,632 | 1,741,275 |
| Resolution transactions [1] | 38,737,855 | 26,063,367 |
| Depositors' claims unpaid | 10,765 | 509,363 |
| Corporate purchase transactions | 2,999,141 | 623,174 |
| Deferred settlements [2] | (403,901) | (298,992) |
| Allowance for losses | (22,407,642) | (16,593,111) |
| | **20,590,850** | **12,045,076** |
| | **$ 21,014,834** | **$ 12,935,346** |

[1] Includes $21 million due from the SAIF for Southeast Bank, N.A., Miami, Florida, transaction, September 19, 1991
[2] Includes Continental Bank, Chicago, Illinois, transaction, September 26, 1984

The FDIC resolution process can take various forms. Open bank assistance and assisted merger resolutions result in contractual agreements to provide ongoing assistance which allows banking operations to continue. Closed bank resolutions occur when the failing bank is closed by its chartering authority.

As stated in Note 2, the allowance for loss on receivables from bank resolutions represents the difference between amounts advanced and the expected repayment, based upon the estimated cash recoveries from the assets of the assisted or failed bank, net of all estimated liquidation costs.

As of December 31, 1991 and 1990, the BIF, in its receivership capacity, held assets of $43.2 billion and $23.7 billion, respectively. The estimated cash recoveries from the sale of these assets (excluding cash and miscellaneous receivables of $8.9 billion) are regularly evaluated, but remain subject to uncertainties because of changing economic conditions affecting real estate assets now in the marketplace. These factors could reduce the BIF's actual recoveries upon the sale of these assets from the level of recoveries currently estimated.

Receivables from open banks include amounts outstanding to qualified institutions under the Capital Instrument Program. This program, which was established at the FDIC by authorization of the Garn-St Germain Depository Institutions Act of 1982, was extended through October 13, 1991, by the Competitive Equality Banking Act of 1987 (authority for this program has not been extended). Under this program, the BIF would purchase a qualified institution's capital instrument, such as Net Worth Certificates and Income Capital Certificates. The BIF would issue, in a non-cash exchange, its non-negotiable promissory note of equal value. The total assistance outstanding to qualified institutions as of December 31, 1991 and 1990 is $73,500,000 and $179,488,000, respectively.

## 6. Analysis of Changes in Allowance for Losses and Estimated Liabilities

The Provision for Loss transactions include estimates of loss for bank resolutions occurring during the year for which an estimated loss had not been previously established. It also includes loss adjustments for bank resolutions that occurred in prior periods.

Transfers consist of bank resolutions that occurred during the year for which an estimated cost had already been recognized in a previous period. Terminations represent any final adjustments to the estimated cost figures for those bank resolutions that have been completed and for which the receivership has been removed from the books of the BIF.

## Analysis of Changes in Allowance for Losses and Estimated Liabilities

Dollars in Millions

| Allowance for Losses | Begin Balance (01-01-91) | Provision for Insurance Losses: Current Year | Prior Year | Total | Net Cash Payments | Transfers/ Adjust/Term | End Balance (12-31-91) |
|---|---|---|---|---|---|---|---|
| Operating Banks | $ 1,207 | $ 1 | $ 130 | $ 131 | $ (7) | $ (132) | $ 1,199 |
| Closed Banks: | | | | | | | |
| Loans and related assets | 1,120 | -0- | 37 | 37 | -0- | -0- | 1,157 |
| Resolution transactions | 15,067 | 747 | (1,015) | (268) | -0- | 5,793 | 20,592 |
| Corporate purchases | 407 | -0- | 258 | 258 | -0- | (6) | 659 |
| **Operating/Closed Banks** | **17,801** | **748** | **(590)** | **158** | **(7)** | **5,655** | **23,607** |
| Estimated Liabilities for: | | | | | | | |
| Assistance agreements | 916 | (132) | 14 | (118) | (1,102) | 502 | 198 |
| Litigation losses | 152 | -0- | 9 | 9 | -0- | -0- | 161 |
| **Estimated Liabilities** | **1,068** | **(132)** | **23** | **(109)** | **(1,102)** | **502** | **359** |
| **Total Allowance/Estimated Liabilities Failed Banks** | **18,869** | **616** | **(567)** | **49** | **(1,109)** | **6,157** | **23,966** |
| **Estimated Liabilities for:** | | | | | | | |
| **Unresolved cases** | **7,685** | **15,427** | **-0-** | **15,427** | **-0-** | **(6,766)** | **16,346** |
| **Total Allowances/ Estimated Liabilities** | **$ 26,554** | **$ 16,043** | **$ (567)** | **$ 15,476** | **$ (1,109)** | **$ (609)** | **$ 40,312** |

## Analysis of Changes in Allowance for Losses and Estimated Liabilities

Dollars in Millions

| Allowance for Losses | Begin Balance (01-01-90) | Provision for Insurance Losses: Current Year | Prior Year | Total | Net Cash Payments | Transfers/ Adjust/Term | End Balance (12-31-90) |
|---|---|---|---|---|---|---|---|
| Operating Banks | $ 1,158 | $ 2 | $ 86 | $ 88 | $ 6 | $ (45) | $ 1,207 |
| Bridge Banks | 1,750 | -0- | -0- | -0- | -0- | (1,750) | -0- |
| Closed Banks: | | | | | | | |
| Loans and related assets | 1,058 | -0- | 62 | 62 | -0- | -0- | 1,120 |
| Resolution transactions | 10,892 | 2,798 | 609 | 3,407 | -0- | 768 | 15,067 |
| Corporate purchases | 223 | -0- | 145 | 145 | -0- | 39 | 407 |
| **Operating/Bridge/ Closed Banks** | **15,081** | **2,800** | **902** | **3,702** | **6** | **(988)** | **17,801** |
| Estimated Liabilities for: | | | | | | | |
| Assistance agreements | 2,730 | -0- | 716 | 716 | (1,511) | (1,019) | 916 |
| Litigation losses | 122 | -0- | 30 | 30 | -0- | -0- | 152 |
| **Estimated Liabilities** | **2,852** | **-0-** | **746** | **746** | **(1,511)** | **(1,019)** | **1,068** |
| **Total Allowance/Estimated Liabilities Failed Banks** | **17,933** | **2,800** | **1,648** | **4,448** | **(1,505)** | **(2,007)** | **18,869** |
| **Estimated Liabilities for:** | | | | | | | |
| **Unresolved cases** | **1,095** | **7,685** | **-0-** | **7,685** | **-0-** | **(1,095)** | **7,685** |
| **Total Allowance/ Estimated Liabilities** | **$ 19,028** | **$ 10,485** | **$ 1,648** | **$ 12,133** | **$ (1,505)** | **$ (3,102)** | **$ 26,554** |

## 7. Property and Buildings

**Property and Buildings**

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| Land | $ 29,631 | $ 32,024 |
| Office buildings | 149,790 | 126,481 |
| Accumulated depreciation | (15,955) | (13,287) |
| | **$ 163,466** | **$ 145,218** |

The 1991 net increase of $20,916,000 for land and buildings represents disbursements for completion of the L.William Seidman Center. The $2.4 million decrease in land is a reclassification of capitalized expenditures from land to buildings.

## 8. Note Payable - Federal Financing Bank (FFB) Borrowings

The FDIC was authorized to borrow from the FFB under the Omnibus Budget Reconciliation Act of 1990. On January 8, 1991, the FDIC and the FFB entered into a Note Purchase Agreement, renewable annually, permitting the FDIC to borrow for financing requirements. Funds borrowed will be recovered and repaid to the FFB through the liquidation of assets from failed institutions.

The terms of the note provide for quarterly renewal and rollover of borrowing, and require estimates of subsequent quarter financing needs. Periodic advances are drawn on the note as needed. Interest rates are based on the U.S. Treasury bill auction rate in effect during the quarter plus 12.5 basis points. Interest is expensed monthly and is payable quarterly. The FDIC may elect to repay any portion of the outstanding principal amount at any time consistent with the terms of the note.

As of December 31, 1991, FFB borrowings and accrued interest were $10,619,954,000 and $126,010,000, respectively. On January 2, 1992, the scheduled maturity date, the outstanding note balance was rolled over into a new borrowing that provides a borrowing authority up to $20 billion. The effective interest rates applicable for the outstanding borrowing ranged from 4.7 percent to 5.4 percent.

### 9. Liabilities Incurred from Bank Resolutions

**Liabilities Incurred from Bank Resolutions**

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| Escrowed funds from resolution transactions | $ 5,606,910 | $ 3,673,279 |
| Funds held in trust | 1,084 | 146,425 |
| Depositors' claims unpaid | 10,765 | 509,363 |
| Notes indebtedness | 153,194 | 2,768,243 |
| Estimated liabilities for assistance agreements | 298,171 | 916,080 |
| Accrued interest/other liabilities | 36,200 | 66,006 |
| | **$ 6,106,324** | **$ 8,079,396** |

**Maturities of Liabilities**

Dollars in Thousands

| **1992** | **1993** | **1994** | **1995** | **1996** |
|---|---|---|---|---|
| $ 5,925,987 | $ 29,652 | $ 19,446 | $ 9,566 | $ 121,673 |

## 10. Resolution of Large Failed Bank Transactions

### On-Balance Sheet Separate Asset Pools

The FDIC structured several large 1991 resolutions by negotiating Purchase and Assumption agreements between the acquiring institution and the FDIC as receiver that provided for the repurchase of classified assets by the receiver. These assets are owned by the receiver, but are managed and liquidated by the acquirer with oversight from the FDIC through the administration of a service agreement. The initial pool balance may be increased by subsequent transfers of assets (putbacks) to the FDIC over a two- or three-year period depending on the agreement. In addition, two transactions contain loss sharing components in which the acquirer and the FDIC as receiver share in credit losses on pool assets. One transaction involves two banking subsidiaries of Southeast Banking Corporation, Miami, Florida, which were closed on September 19, 1991. The other involves Connecticut Savings Bank, New Haven, Connecticut, which was closed on November 14, 1991.

### Off-Balance Sheet Separate Asset Pools

The FDIC has negotiated several large transactions where problem assets are purchased by an acquiring institution under an agreement that calls for the FDIC to absorb credit losses and to pay related costs for funding and administration plus an incentive fee. Estimated total transaction costs for institutions involving separate asset pools include estimated costs for credit losses on all pool assets as well as funding, administration and incentives. In addition, the FDIC has a loss-sharing arrangement relating to Maine Savings Bank, Portland, Maine, closed February 1, 1991. This arrangement calls for the establishment of a deferred settlement account on the records of Fleet Bank of Maine, Portland, Maine, the acquiring institution, to which gains or losses on the final disposition of pool assets are posted. At termination of the asset pool, the FDIC pays the assuming bank the aggregate of net losses over net gains, if any.

In addition to the above costs, for which the receiver has a claim against the assets of the receivership, the FDIC incurs an interest cost on borrowing for these and other resolution transactions. Funds are borrowed from the FFB to acquire and carry assets of failed banks until they are liquidated. Interest expense on the borrowings is reflected as a period expense and not as part of the cost resulting from bank failures. In prior years the FDIC used its own cash and therefore incurred an "opportunity cost" through reduced income.

Shown on the next page are the problem assets handled in these transactions, actual and estimated additional asset putbacks, the total volume of assets for which the FDIC remains at risk and the estimated cost of these transactions, which includes credit losses, carrying costs and administrative and incentive fee expenses.

## Separate Asset Pools

| Dollars in Millions | Date of Failure | Initial Pool Balance | Actual and Estimated Putbacks | Estimated Total Assets at Risk | Remaining Assets at Risk 12/31/91 | Estimated Transaction Cost |
|---|---|---|---|---|---|---|
| **On-Balance Sheet Pools** | | | | | | |
| First RepublicBank[a] Dallas, TX (41 banks) | 07/29/88 | $ 9,132 | $ 2,163 | $ 11,295 | $ 2,533 | $ 3,600 |
| Bank of New England Corp. Boston, MA (3 banks) | 01/06/91 | 6,380 | 1,450 | 7,830 | 6,552 | 1,034 |
| Goldome Buffalo, NY | 05/31/91 | 1,624 | 196 | 1,820 | 1,756 | 1,025 |
| Southeast Bank[b] Miami/West Pensacola, FL (2 banks) | 09/19/91 | 641 | 2,195 | 2,836 | 2,801 | 178 |
| Bridgeport Group, Bridgeport, CT (2 banks) | 08/09/91 | 666 | 785 | 1,451 | 1,451 | 736 |
| New Hampshire Plan New Hampshire (7 banks) | 10/10/91 | 1,060 | 298 | 1,358 | 1,358 | 960 |
| Connecticut Savings New Haven, CT | 11/14/91 | 337 | -0- | 337 | 337 | 112 |
| **Off-Balance Sheet Pools** | | | | | | |
| MCorp Dallas, TX (20 banks) | 03/28/89 | $ 3,388 | $ 818 | $ 4,206 | $ 1,034 | $ 2,869 |
| Texas American Bancshares Dallas, TX (24 banks) | 07/20/89 | 1,249 | 267 | 1,516 | 383 | 1,039 |
| Maine Savings Bank Portland, ME | 02/01/91 | 361 | 124 | 485 | 485 | 215 |

[a] This was an off-balance sheet pool prior to the 1991 repurchase of assets.
[b] Estimated transaction cost includes $21 million that is the responsibility of the SAIF (see Note 5).

## 11. Estimated Liabilities For Unresolved Cases

### Unresolved Cases

In 1990, the BIF recorded as a contingent liability on its financial statements an estimated loss for its probable cost for banks that have not yet failed, but the regulatory process had identified as either equity insolvent or in-substance equity insolvent. The FDIC relied on this finding regarding solvency as the determining factor in defining the existence of the "accountable event" that triggers loss recognition under generally accepted accounting principles.

In 1991, the FDIC has taken a new view of what constitutes an accountable event for purposes of recognizing an estimated loss for future bank failures. Specifically, the FDIC has expanded its concept of banks considered to be in-substance insolvent for 1991 to include those that are solvent at yearend, but which have adverse financial trends and, absent some favorable event (such as obtaining additional capital or a merger), will probably become equity deficient in 1992 or thereafter.

As with any of its contingent liabilities, the FDIC cannot predict the timing of events with reasonable accuracy. Yet, the FDIC recognizes these liabilities and a corresponding reduction in the Fund Balance in the period in which they are deemed probable and reasonably estimable. It should be noted, however, that future assessment revenues will be available to the BIF to recover some or all of these losses, and that their amounts have not been reflected as a reduction in the losses.

Liabilities for unresolved cases as of December 31, 1991 and 1990, using the definition of in-substance equity insolvent employed in 1990, were $7.8 billion and $7.7 billion, respectively. Additional losses of $7.7 billion were recorded in 1991 using the expanded concept. The estimated costs for these probable bank failures are derived in part from estimates of recoveries from the sale of the assets of these banks. As such, they are subject to the same uncertainties as those affecting the BIF's net receivables from bank resolutions (see Note 5). This could understate the ultimate costs to the BIF from probable bank failures.

The FDIC estimates that 375 banks with combined assets ranging from $168 billion to $236 billion could fail in 1992 and 1993. These institutions are experiencing the effects of softening real estate markets and weakening state economies. The BIF's resolution costs of these institutions are estimated to range from $25.8 billion to $35.3 billion, of which $16.3 billion already has been recognized as a cost. The further into the future projections of bank solvency are made, the greater the uncertainty of which banks will fail and the magnitude of the loss associated with those failures. The accuracy of these estimates will depend largely on future economic conditions, particularly in real estate markets and in the volume of real estate held by the federal government, and the resulting impact on the financial performance of banks and bank borrowers.

**Litigation Losses**

During a 1992 first quarter review, the FDIC's Legal Division has determined that the estimated liability for unresolved legal cases could result in litigation losses as high as $330 million. This exceeds the amount recorded for 1991 as estimated liabilities for litigation losses by $169 million.

## 12. Assessments

The FDI Act authorizes the FDIC to set assessment rates for the BIF members semiannually, to be applied against a member's average assessment base. The assessment rate for the first semiannual period for calendar year 1991 was 0.195 percent (19.5 cents per $100 of domestic deposits). The FDIC Board of Directors approved an increase in the assessment rate to 0.230 percent (23 cents per $100 of domestic deposits) for the second semiannual period of 1991 and thereafter.

The FDI Act, as amended by the 1991 Act, authorizes the FDIC to increase assessment rates for BIF-member institutions as needed to ensure that funds are available to satisfy BIF obligations. Also, the 1991 Act requires the FDIC to provide a recapitalization schedule, not to exceed 15 years, that outlines projected semiannual assessment rate increases and interim targeted reserve ratios until the designated reserve ratio of 1.25 percent of insured deposits is achieved.

**13. Interest and Other Insurance Expenses**

The FDIC incurs interest expense on its note obligations, escrowed funds and FFB borrowings. Other insurance expenses are incurred by the BIF as a result of: 1) paying insured depositors in closed bank payoff activity, including funding "bridge bank" operations; 2) administering and liquidating assets purchased in a corporate capacity; and 3) administering assistance transactions.

**Interest and Other Insurance Expenses**

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| Interest Expense for: | | |
| Notes payable | $ 12,282 | $ 94,453 |
| Escrowed funds from resolution transactions | 664,102 | 313,073 |
| FFB borrowings | 237,853 | -0- |
| | **914,237** | **407,526** |
| Insurance Expense for: | | |
| Resolution transactions | 2,895 | 16,704 |
| Corporate purchases | 55,226 | 43,472 |
| Assistance transactions | 129,698 | 202,260 |
| | **187,819** | **262,436** |
| | | |
| | **$ 1,102,056** | **$ 669,962** |

**14. Pension Benefits, Savings Plans and Accrued Annual Leave**

**Pension Benefits and Savings Plans Expenses**

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| Civil Service Retirement System | $ 6,622 | $ 6,284 |
| Federal Employee Retirement System (Basic Benefit) | 15,667 | 10,573 |
| FDIC Savings Plan | 7,308 | 5,697 |
| Federal Thrift Savings Plan | 3,838 | 2,181 |
| | **$ 33,435** | **$ 24,735** |

Eligible FDIC employees (i.e., all permanent and temporary employees with appointments exceeding one year) are covered by either the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS).

The CSRS is a defined benefit plan integrated with the Social Security System in certain cases. Plan benefits are determined on the basis of years of creditable service and compensation levels. The CSRS-covered employees can also participate in a federally sponsored tax-deferred savings plan available to provide additional retirement benefits. The FERS is a three-part plan consisting of a basic defined benefit plan that provides benefits based on years of creditable service and compensation levels, Social Security benefits and a tax-deferred savings plan. Further, automatic and matching employer contributions are provided up to specified amounts under the FERS. Eligible employees may participate in an FDIC-sponsored tax-deferred savings plan with matching contributions. The BIF pays the employer's portion of the related costs.

The liability to employees for accrued annual leave is approximately $20,444,000 and $17,062,000 at December 31, 1991 and 1990, respectively.

Although the BIF contributes a portion of pension benefits for eligible employees, it does not account for the assets of either retirement system, nor does it have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported and accounted for by the U.S. Office of Personnel Management.

## 15. FDIC Health, Dental and Life Insurance Plans for Retirees

The BIF's allocated share of retiree benefits provided the following:

**FDIC Health and Dental Plans**

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| Health premiums paid | $ 573 | $ 434 |
| Dental premiums paid | 30 | 36 |

The FDIC provides certain health, dental and life insurance coverage for its eligible retirees. Eligible retirees are those who have elected the FDIC's health and/or life insurance program and are entitled to an immediate annuity. The health insurance coverage is a comprehensive fee-for-service program underwritten by Blue Cross/Blue Shield of the National Capital Area, with hospital coverage and a major medical wraparound. The dental care is underwritten by Connecticut General Life Insurance Company. The FDIC makes the same contributions for retirees as those for active employees. The FDIC benefit programs are fully insured. Effective January 1, 1991, the funding mechanism was changed to a "minimum premium funding arrangement." Fixed costs and expenses for claims are paid as incurred. Premiums are deposited for claims incurred but not reported. The premiums are held by the FDIC.

The life insurance program is underwritten by Metropolitan Life Insurance Company. The program provides for basic coverage at no cost and allows converting optional coverages to direct-pay plans with Metropolitan Life. The FDIC does not make any contributions towards annuitants' basic life insurance coverage; this charge is built into rates for active employees.

The Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 106 (Employers' Accounting for Postretirement Benefits Other Than Pensions), which the FDIC is required to adopt by 1993. The standard requires companies to recognize postretirement benefits during the years employees are working and earning benefits for retirement. Resulting estimated expenses will be allocated to the BIF based on the relative degree to which expenses were incurred. Although the impact of the FDIC's adoption of the standard cannot reasonably be estimated at this time, the standard may increase reported administrative costs and expenses of the BIF.

## 16. Commitments

### Leases

Lease agreement commitments for the BIF office space are $87,841,381 for future years. The agreements contain escalation clauses resulting in adjustments, usually on an annual basis. The BIF recognized leased space expense of $37,294,000 and $31,284,000 for the years ended December 31, 1991 and 1990, respectively. The BIF's allocated share of leased space fees for future years, which are committed per contractual agreement, are as follows:

**Leased Fees**

Dollars in Thousands

| 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| $25,968 | $22,823 | $19,028 | $13,029 | $6,993 |

### Asset Putbacks

Upon resolution of a failed bank, the assets are placed into receivership and may be sold to an acquirer under an agreement that certain assets may be "put back," or resold, to the receivership at the recognized book value within a defined period of time. It is possible that the BIF could be called upon to fund the purchase of any or all of the "unexpired puts" at any time prior to expiration. The FDIC's estimate of the volume of assets that are subject to put under existing agreements is $5.2 billion, including $1.3 billion from the April sale of the Bank of New England franchise to Fleet/Norstar and $2 billion from the Southeast Bank assistance transaction. The total amount that will be repurchased and the losses resulting from these acquisitions is not reasonably estimable at December 31, 1991.

## 17. Concentration of Credit Risk

The BIF is counterparty to a group of financial instruments with entities located throughout regions of the United States experiencing problems in both loans and real estate. The BIF's maximum exposure to possible accounting loss, should each counterparty to these instruments fail to perform and any underlying assets prove to be of no value, is shown as follows:

**Concentration of Credit Risk**

| Dollars in Millions | December 31, 1991 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Southeast** | **Southwest** | **Northeast** | **Midwest** | **Central** | **West** | **Total** |
| Net receivables from bank resolutions | $ 3,549 | $ 1,815 | $12,394 | $ 16 | $ 369 | $ 532 | $ 18,675 |
| Corporate purchases (net) | 6 | 2,140 | 111 | -0- | 36 | 47 | 2,340 |
| Asset putback agreements (off-balance sheet) | 2,106 | -0- | 3,053 | -0- | -0- | -0- | 5,159 |
| **Total** | **$ 5,661** | **$ 3,955** | **$15,558** | **$ 16** | **$ 405** | **$ 579** | **$ 26,174** |

### 18. Supplementary Information Relating to the Statements of Cash Flows

**Reconciliation of Net Loss to Net Cash Used by Operating Activities**

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| Net (Loss) | $ (11,072,427) | $ (9,165,037) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | |
| Provision for insurance losses | 15,476,192 | 12,133,088 |
| Amortization of U.S. Treasury obligations | 47,042 | 76,594 |
| Interest on Federal Financing Bank borrowings | 126,010 | -0- |
| Gain on sale of U.S. Treasury obligations | (3,806) | (6,143) |
| Depreciation expense | 2,667 | 765 |
| Decrease in assessment receivable | 630 | 1,387 |
| Increase (decrease) in accounts payable, accrued and other liabilities | (9,845) | 31,359 |
| Decrease in accrued interest receivable on investments and other assets | 188,658 | 20,159 |
| Disbursements for bank resolutions not impacting income | (14,861,031) | (7,166,372) |
| Accrual of assets and liabilities from bank resolutions | 278,877 | 334,689 |
| **Net cash used by operating activities** | **$ (9,827,033)** | **$ (3,739,511)** |

The non-cash financing activity for the year ending December 31, 1991, included: 1) a write-down of a note payable totaling $92,261,000 resulting from the repurchase of stock owned by the Corporation and 2) an increase to notes payable of $12,954,181 resulting from the rollover of accrued interest on borrowings from the FFB.

In 1990, there was an increase of $2.1 billion in net receivables from bank resolutions and a reciprocal increase in liabilities incurred from bank resolutions. These transactions were for notes issued and for the establishment of valuation allowances for failed banks previously presented as unresolved contingent liabilities.

As stated in the Summary of Significant Accounting Policies (See Note 2, Escrowed Funds from Resolution Transactions), the BIF pays the acquirer the difference between failed bank liabilities assumed and assets purchased, plus or minus any premium or discount. The BIF considers the assets purchased portion of this transaction to be a non-cash adjustment. Accordingly, for Cash Flow Statement presentation, cash outflows for bank resolutions excludes $4.9 billion in 1991 and $3.3 billion in 1990 for assets purchased.

**19. Subsequent Events**

**CrossLand Savings, FSB**
**Brooklyn, New York**

On January 24, 1992, CrossLand Savings, FSB, was closed by the Office of Thrift Supervision (OTS) and the FDIC was appointed receiver. The receiver organized a new assuming savings bank (CrossLand Federal Savings Bank) and the charter was approved by the OTS. The OTS appointed the FDIC as conservator of the assuming bank, which acquired virtually all of the assets, deposits and certain non-deposit liabilities of the failed bank. In 1991, the BIF recorded an estimated loss of $1.1 billion for this transaction.

**Dollar Dry Dock Bank**
**White Plains, New York**

On February 21, 1992, Dollar Dry Dock Bank, a savings bank, was declared insolvent by the state chartering authority and subsequently closed and the FDIC was appointed receiver. The FDIC approved the sale of the failed institution to Emigrant Savings Bank of New York. In 1991, the BIF recorded an estimated loss of $600 million for this transaction.

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

Comptroller General
of the United States

B-114831

To the Board of Directors
Federal Deposit Insurance Corporation

We have audited the accompanying statements of financial position of the Bank Insurance Fund as of December 31, 1991 and 1990, and the related statements of income and fund balance and statements of cash flows for the years then ended. These financial statements are the responsibility of the management of the Federal Deposit Insurance Corporation (FDIC), the Fund's administrator. Our responsibility is to express an opinion on these financial statements based on our audits. In addition, we are reporting on our consideration of FDIC's internal control structure and on its compliance with laws and regulations as they relate to the Fund.

We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statements' presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank Insurance Fund as of December 31, 1991 and 1990, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles. However, significant uncertainties regarding the value of real estate assets may ultimately result in substantial reductions in the recovery value of failed bank assets held by the Fund and in substantial increases in costs from resolving future bank failures.

The Fund's December 31, 1991, financial statements reported a deficit fund balance for the first time in the Fund's history. For the year ended December 31, 1991, the Fund reported a net loss of $11.1 billion, resulting in a fund deficit of $7 billion as of December 31, 1991. This deficit reflects the Fund's continued erosion through 4 consecutive years of net losses.

In 1991, problems facing the banking industry became increasingly concentrated in larger banks. The number of troubled banks at December 31, 1991, as represented by banks on FDIC's problem institution list, increased slightly from the previous year. However, total assets of these troubled banks increased by nearly 50 percent over the previous year, to over $600 billion. The failure of large banks can result in additional, significant losses to the Fund in future years, which could further increase the Fund's deficit.

## UNCERTAINTIES AFFECT THE ULTIMATE RECOVERIES FROM RECEIVERSHIP ASSETS

The Fund's December 31, 1991 and 1990 financial statements include $43.4 billion and $28.9 billion, respectively, in amounts the Fund advanced for resolving troubled banks, net of actual recoveries. These amounts are reported as receivables from bank resolutions on the Fund's financial statements. Funds to repay amounts advanced are generated from FDIC's management and liquidation of assets acquired from failed banks. Because the management and disposition of these assets generally will not generate amounts equal to the asset values as reflected on failed banks' financial records, FDIC establishes an allowance for losses against the receivables. The allowance for losses represents the difference between amounts advanced and the expected repayment, net of all estimated liquidation costs. As of December 31, 1991 and 1990, the allowance for losses equaled $22.4 billion and $16.6 billion, respectively.

FDIC maintains a management information system for assets in liquidation, which provides information on estimated recoveries from the management and sale of failed institution assets. These estimated recoveries are used to derive the allowance for losses. Because of material internal control weaknesses we identified in this system, we designed alternative audit procedures to test the reasonableness of the allowance for losses reported on the Fund's financial statements. These procedures, which consisted of analyzing FDIC's collection experience on failed bank assets to assess the reasonableness of the estimated recoveries on the Fund's existing asset inventory, provided us with reasonable assurance that the balance of net receivables from bank resolutions reported on the Fund's financial statements was fairly stated.

The estimates of future recoveries derived from historical collection experience, however, are subject to significant uncertainties. In recent years, economic conditions have adversely affected asset values, particularly real estate assets. Furthermore, the rapid growth in government-held assets and the significant volume of real estate assets now on the market, coupled with the significant discounts the Resolution Trust Corporation offers in an attempt to reduce its inventory of real estate assets, could materially affect FDIC's ability to generate future recoveries from asset sales for the Fund at rates comparable to those it experienced in the past.

As of December 31, 1991, the Fund, in its receivership capacity, held failed bank assets with a book value of $34.4 billion, an increase of nearly 200 percent from the $11.5 billion book value of failed bank assets the Fund held just 2 years ago. As more banks fail, the Fund's inventory of assets may continue to grow, increasing the Fund's exposure to unanticipated losses due to the existing uncertainties which may adversely affect FDIC's ultimate recovery on the disposition of these assets. Additionally, material internal control weaknesses in FDIC's management information system for assets in liquidation increases the Fund's risk of future exposure to losses resulting from errors and irregularities that may not be detected in a timely manner.

## UNCERTAINTIES AFFECT THE FUND'S ULTIMATE COST OF RESOLVING TROUBLED BANKS

The Fund's financial statements also reflect FDIC's estimate of the cost that the Fund will incur in resolving troubled banks that meet the criteria for loss recognition under generally accepted accounting principles. In 1990, FDIC used the equity position of a troubled institution as its basis for recognizing an estimated loss. Under these criteria, FDIC recorded an estimated loss of $7.7 billion on the Fund's December 31, 1990, financial statements for those banks determined to be equity insolvent.[1] The approach FDIC used in determining the Fund's estimated loss from troubled banks at December 31, 1990, was in accordance with existing accounting standards.

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[1]Equity insolvent banks are banks that reported negative equity capital on their quarterly financial reports filed with the regulators (call reports), and banks that reported positive equity capital on their quarterly call reports but whose reserves for loan losses, when compared to their level of nonperforming loans and loss reserves levels for similar banks in the same geographical region, were determined to be insufficient to cover the level of losses inherent in their loan portfolios. When these banks' reserves for loan losses were increased to reflect a more appropriate level to cover loan losses, their equity capital was depleted, resulting in their insolvency.

In 1991, FDIC revised its approach for determining what triggers the recognizing of estimated losses from troubled banks on the Fund's financial statements. In addition to including banks that are insolvent on an equity capital basis at year-end, FDIC recognized estimated losses on the Fund's financial statements for banks with positive equity capital at year-end whose financial conditions are such that FDIC believes it is more likely than not that the banks will require resolution in the near future.

In general, these banks with positive equity capital at year-end had minimal capital, excessive levels of problem assets, and earnings trends that, if continued, would lead to their insolvency in the near future. This approach is consistent with the loss recognition criteria we discussed in our report on the Fund's 1990 financial statements[2] and is within the latitude provided in the existing accounting standards regarding loss recognition. As of December 31, 1991, FDIC estimated, using its revised approach, that the Fund will incur costs of $16.3 billion for resolving troubled banks in the near future. As we disclosed in our report on the Fund's 1990 financial statements, if FDIC had applied this approach in 1990, $5.4 billion in additional estimated losses would have been recognized at that time, and the Fund would have had a deficit balance of $1.4 billion instead of the reported balance of $4.0 billion as of December 31, 1990.

As stated in note 11 to the financial statements, FDIC has estimated that troubled banks with combined assets ranging from $168 billion to $236 billion could fail in the next 2 years. FDIC estimates that the cost of resolving these banks could be between $25.8 billion and $35.3 billion, of which $16.3 billion has already been recorded on the Fund's 1991 financial statements for those banks that met FDIC's loss recognition criteria as of December 31, 1991. If the additional banks do fail, the Fund faces estimated costs beyond those already recognized on the financial statements of between $9.5 billion and $19.0 billion.

FDIC's loss estimates for troubled banks are primarily based on past resolution experience. Consequently, these estimates are subject to the same uncertainties as those affecting FDIC's estimates of future recoveries on the management and liquidation of assets acquired from previously failed banks. In addition, changes in economic conditions and fluctuations in interest rates can affect the timing of bank failures and the closing of these banks by regulators. Short-term profits due to the current low interest rates and gains from asset sales may delay the timing of a troubled bank's failure, but they do not necessarily eliminate the losses imbedded in the bank's asset portfolio. Sustained economic growth and improved

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[2] Financial Audit: Bank Insurance Fund's 1990 and 1989 Financial Statements, (GAO/AFMD-92-24, November 12, 1991).

real estate market conditions, coupled with banks' efforts to adequately recognize the extent of loan losses in their portfolios, dispose of poor quality assets, and meet capital requirements, are critical factors affecting a troubled bank's return to viability.

ADEQUACY OF FUNDING FOR RESOLVING TROUBLED BANKS IS DEPENDENT ON FUTURE EVENTS

The Federal Deposit Insurance Corporation Improvement Act of 1991 (Public Law 102-242), enacted December 19, 1991, provided FDIC with increased authority to borrow funds to cover both losses and working capital needs related to resolution activity. The FDIC Improvement Act increased FDIC's authority to borrow funds from the Treasury on behalf of the Bank Insurance Fund and the Savings Association Insurance Fund (SAIF)[3] to cover losses incurred in resolving troubled institutions to $30 billion. However, it also requires FDIC to recover these loss funds through premium assessments charged to insured institutions. In addition, FDIC may borrow funds for working capital, but the amount of its outstanding working capital borrowings is subject to a formula in the act that limits FDIC's total outstanding obligations. FDIC borrows working capital on behalf of the Fund from the Federal Financing Bank. Such borrowings are to be repaid primarily from the management and disposition of failed financial institution assets.

The adequacy of the funding the act provides to deal with the Fund's exposure to troubled banks is subject to a number of uncertainties. To the extent actual recoveries from the management and disposition of failed bank assets fall short of expectations, the ultimate cost of resolving these institutions will increase. If this occurs, the Fund may require additional loss funds to cover the shortfall. Furthermore, it is difficult to project the Fund's long term exposure to losses from troubled banks. While the $30 billion in loss funds appears to be sufficient based on FDIC's short-term projections of identifiable costs the Fund faces from troubled banks, any additional banks requiring resolution could result in the need for increased funding.

Future events in the thrift industry could also significantly affect the adequacy of the funding provided. Under the FDIC Improvement Act, FDIC is authorized to borrow $30 billion from the Treasury to cover losses incurred in

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[3]SAIF was established under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) (Public Law 101-73) to insure the deposits of federally-insured savings associations (thrifts) and thrift deposits acquired by so-called "Oakar banks" under Section 5(d)(3) of the Federal Deposit Insurance Act. Through September 30, 1993, however, SAIF will share resolution responsibility with the Resolution Trust Corporation (RTC).

resolving institutions insured by both the Bank Insurance Fund and SAIF. FIRREA also established RTC to resolve thrifts whose deposits had been insured by the Federal Savings and Loan Insurance Corporation (FSLIC) and that had been, or will be, placed into conservatorship or receivership from January 1, 1989, through August 8, 1992. The Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 (Public Law 102-233), enacted on December 12, 1991, extended RTC's resolution authority to thrifts placed into conservatorship or receivership through September 30, 1993. After this date, responsibility for resolving all federally-insured thrifts will be shifted to SAIF.[4]

Favorable interest rates could delay many thrift failures until after September 30, 1993. If the costs of resolving these institutions exceed SAIF's other available funding sources, FDIC could be forced to use some of the $30 billion in borrowing authority to cover SAIF's losses. Were this to occur, the funding the FDIC Improvement Act provides may not be sufficient to cover the exposure posed to both SAIF and the Bank Insurance Fund from their respective industries.

## ADDITIONAL EFFORTS TO RECAPITALIZE THE FUND MAY BE NEEDED

The last 4 years have demonstrated how quickly unanticipated events can adversely impact the banking industry and ultimately deplete the reserves of the Fund. The Fund's dramatic decline from a high of $18.3 billion as of December 31, 1987, to its reported deficit of $7 billion as of December 31, 1991, illustrates the extent and swiftness in which rising numbers and costs of bank failures have depleted the Fund. At the time the Fund attained its highest level, the ratio of its reserves to insured deposits equaled approximately 1.10 percent. In the succeeding 4 years, as the Fund's reserve position declined by over $25 billion, the ratio of its reserve balance to insured deposits declined precipitously to a negative 0.36 percent as of December 31, 1991.

The FDIC Improvement Act contains provisions to recapitalize the Fund. It requires FDIC to set semiannual assessment rates for insured institutions that are sufficient to increase the Fund's ratio of its reserves to insured deposits to a designated ratio established by FIRREA of 1.25

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[4]Any thrift requiring resolution after September 30, 1993, which had previously been under RTC conservatorship or receivership may be transferred back to RTC for resolution in accordance with the provisions of the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991.

percent no later than 1 year after setting the assessment rates, or in accordance with a recapitalization schedule established by FDIC. This schedule must specify, at semiannual intervals, target reserve ratios for the Fund, culminating in a ratio of reserves to insured deposits that is equal to the designated reserve ratio no later than 15 years after the date on which the schedule becomes effective. The FDIC Improvement Act also requires FDIC to implement a risk-based premium system by January 1, 1994. Under this system, insured institutions considered to pose a greater risk of loss to the Fund would be assessed at higher rates than stronger, well capitalized and managed institutions. The act permits FDIC to implement a transitional risk-based premium system prior to January 1, 1994.

FDIC recently issued a proposal for public comment to increase the semiannual assessment rates charged to insured institutions from the current rate of 23 cents per $100 of domestic deposits to 28 cents, effective January 1, 1993. This proposed rate increase is based on an analysis of the condition of the Fund and its ability to achieve the designated reserve ratio over the next 15 years. Concurrent with this proposal, FDIC proposed to shift to a risk-based premium system, also effective January 1, 1993. The initial assessment rates under the proposed risk-based premium system range from between 25 cents and 31 cents per $100 of domestic deposits and would vary from institution to institution based on the regulators' assessment of the institution's condition and health. If FDIC implements such a risk-based premium structure by January 1, 1993, it estimates that the proposed assessment rate of 28 cents per $100 of domestic deposits would become the average assessment rate FDIC would charge.

Even under the proposed assessment rate increase, there is considerable risk that the Fund will not achieve the designated reserve ratio within the maximum 15 year period allowed for in the FDIC Improvement Act. FDIC estimates that, with an assessment rate of 28 cents per $100 of domestic deposits, the probability of the Fund's reserves achieving the designated reserve ratio in 15 years is only 60 percent. Given the uncertainties discussed above that may ultimately impact asset recovery values, costs from future resolution activity, and the adequacy of the funding provided under the act, it is important to replenish the Fund's reserves as expeditiously as possible. As the last 4 years have shown, unexpected events such as economic downturns and their resulting impact on the banking industry can quickly deplete reserve levels once considered to be healthy. It is important that the Fund be recapitalized to avoid further borrowings from the taxpayers to finance losses from financial institution failures. This is consistent with previous positions we have taken regarding the need to recapitalize the Fund.[5]

Charles A. Bowsher

Charles A. Bowsher
Comptroller General
of the United States

May 11, 1992

[5] Rebuilding the Bank Insurance Fund, (GAO/T-GGD-91-25, April 26, 1991).

# Financial Statements

Savings Association
Insurance Fund
**S A I F**

Federal Deposit Insurance Corporation

## Savings Association Insurance Fund
## Statements of Income and the Fund Balance

| Dollars in Thousands | For the Year Ended December 31 | |
|---|---|---|
| | 1991 | 1990 |
| **Revenue** | | |
| Assessments earned (Note 11) | $ 87,964 | $ 16,999 |
| Entrance fee revenue (Note 4) | 8 | -0- |
| Interest income | 2,908 | -0- |
| | **90,880** | **16,999** |
| **Expenses and Losses** | | |
| Administrative expenses | 42,362 | 56,088 |
| Provision for losses (Note 5) | 20,114 | -0- |
| Interest expense (Note 5) | 609 | -0- |
| | **63,085** | **56,088** |
| **Net Income (Loss) before Funding Transfer** | **27,795** | **(39,089)** |
| Funding Transfer from the FSLIC Resolution Fund (Note 1) | 42,362 | 56,088 |
| **Net Income** | **70,157** | **16,999** |
| **Fund Balance - Beginning** | **17,001** | **2** |
| **Fund Balance - Ending** | **$ 87,158** | **$ 17,001** |

The accompanying notes are an integral part of these financial statements.

Federal Deposit Insurance Corporation

## Savings Association Insurance Fund
## Statements of Financial Position

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| **Assets** | | |
| Cash and cash equivalents, including restricted amounts of $56,119 for 1991 and $12,964 for 1990 (Note 3) | $ 56,681 | $ 16,535 |
| Entrance and exit fees receivable, net (Note 4) | 91,015 | 49,384 |
| Due from the FSLIC Resolution Fund (Note 11) | 109,561 | 17,010 |
| Other assets | 745 | 626 |
| | **258,002** | **83,555** |
| | | |
| **Liabilities and the Fund Balance** | | |
| Accounts payable, accrued and other liabilities | 3,428 | 4,100 |
| Due to the Bank Insurance Fund (Note 5) | 20,723 | -0- |
| **Total Liabilities** | **24,151** | **4,100** |
| | | |
| **SAIF-member exit fees and investment proceeds held in reserve (Note 4)** | **146,693** | **62,454** |
| | | |
| **Fund Balance** | **87,158** | **17,001** |
| | | |
| | **$ 258,002** | **$ 83,555** |

The accompanying notes are an integral part of these financial statements.

Federal Deposit Insurance Corporation

## Savings Association Insurance Fund
## Statements of Cash Flows

| Dollars in Thousands | For the Year Ended December 31 | |
|---|---|---|
| | **1991** | **1990** |
| **Cash Flows From Operating Activities** | | |
| Cash inflows from: | | |
| Administrative expenses funded by the FSLIC Resolution Fund (Note 1) | $ 40,650 | $ 56,088 |
| Entrance and exit fee collections (Note 4) | 40,868 | 12,961 |
| Interest on U.S. Treasury obligations | 2,207 | 5 |
| Cash outflows for: | | |
| Transition assessment payment transferred to the FSLIC Resolution Fund (Note 6) | -0- | 120 |
| Administrative expenses (Note 1) | 43,579 | 52,399 |
| **Net Cash Provided By Operating Activities (Note 10)** | **40,146** | **16,535** |
| **Cash and Cash Equivalents - Beginning** | **16,535** | **-0-** |
| **Cash and Cash Equivalents - Ending** | **$ 56,681** | **$ 16,535** |

The accompanying notes are an integral part of these financial statements.

*Notes to Financial Statements*
*Savings Association Insurance Fund*
*December 31, 1991 and 1990*

**1. Legislative History and Reform**

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) was enacted to reform, recapitalize and consolidate the federal deposit insurance system. FIRREA designated the Federal Deposit Insurance Corporation (FDIC) as administrator of the Bank Insurance Fund (BIF), which insures the deposits of all BIF-member institutions (normally commercial banks), and the Savings Association Insurance Fund (SAIF), which insures the deposits of all SAIF-member institutions (normally thrifts). Both insurance funds are maintained separately to carry out their respective mandates. The FDIC also administers the FSLIC Resolution Fund (FRF) which is responsible for winding up the affairs of the former Federal Savings and Loan Insurance Corporation (FSLIC).

FIRREA created the Resolution Trust Corporation (RTC), which manages and resolves all thrifts previously insured by the FSLIC for which a conservator or receiver is appointed during the period January 1, 1989, through August 8, 1992. The Resolution Trust Corporation Refinancing, Restructuring and Improvement Act of 1991 (1991 RTC Act) extended the RTC's general resolution authority through September 30, 1993, and beyond that date for those institutions previously placed under RTC control.

The Resolution Funding Corporation (REFCORP) was established by FIRREA to provide funds to the RTC for use in the thrift industry bailout. The Financing Corporation (FICO),established under the Competitive Equality Banking Act of 1987, is a mixed-ownership government corporation whose sole purpose was to function as a financing vehicle for the FSLIC. However, effective December 12, 1991, as provided by the Resolution Trust Corporation Thrift Depositor Protection Reform Act of 1991, the FICO's authority to issue obligations as a means of financing for the FRF was terminated.

The Omnibus Budget Reconciliation Act of 1990 removed caps on assessment rate increases and allowed for semi-annual rate increases. In addition, this Act permitted the FDIC, on behalf of the BIF and the SAIF, to borrow from the Federal Financing Bank (FFB) on terms and conditions determined by the FFB.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (1991 Act) was enacted to further strengthen the FDIC. The FDIC's authority to borrow from the U.S. Treasury was increased from $5 billion to $30 billion. However, the FDIC cannot incur any additional obligation for the BIF or the SAIF if the amount of obligations in the respective Fund would exceed the sum of: 1) its cash and cash equivalents; 2) the amount equal to 90 percent of the fair-market value of its other assets; and 3) its portion of the total amount authorized to be borrowed from the U.S. Treasury (excluding FFB borrowings).

As required by the 1991 Act, U.S. Treasury borrowings are to be repaid from assessment revenues. The FDIC must provide the U.S. Treasury a repayment schedule demonstrating that future assessment revenues are adequate to repay principal borrowed and pay interest due. In addition, the FDIC now has authority to increase assessment rates more frequently than semiannually and impose emergency special assessments as necessary to ensure that funds are available for these payments.

**Operations of the SAIF**

The primary purpose of the SAIF is to insure the deposits and to protect the depositors of insured savings associations. In this capacity, the SAIF currently has financial responsibility for: 1) all federally insured depository institutions that became members of the SAIF after August 8, 1989, for which the RTC does not have resolution authority and 2) all deposits insured by the SAIF which are held by BIF-member banks (so called "Oakar" banks, created pursuant to the "Oakar amendment" provisions found in Section 5(d)(3) of the FDI Act). After September 30, 1993, the SAIF will assume financial responsibility for all SAIF-member depository institutions which had not previously been placed under the RTC's control.

The "Oakar amendment" provisions referred to above allow, with approval of the appropriate federal regulatory authority, any insured depository institution to merge, consolidate or transfer the assets and liabilities of an acquired institution(s) without changing insurance coverage for the acquired deposits. Such acquired deposits continue to be either SAIF-insured deposits and assessed at the SAIF assessment rate or BIF-insured deposits and assessed at the BIF assessment rate. In addition, any losses resulting from the failure of these institutions are to be allocated between the BIF and the SAIF based on the respective dollar amounts of the institution's BIF-insured and SAIF-insured deposits.

The SAIF is funded from the following sources: 1) Reimbursement by the FRF of administrative and supervisory expenses incurred between August 9, 1989, and September 30, 1992. These expenses have priority over other obligations of the FRF and funding is provided as expenses are recognized by the SAIF; 2) SAIF-member assessments from "Oakar" banks; 3) SAIF assessments that are not required for the FICO, the REFCORP or the FRF; 4) U.S. Treasury payments for the amount, if any, needed to supplement assessment revenue to reach a $2 billion level for each of the fiscal years 1993 through 2000; 5) U.S. Treasury payments for any additional amounts that may be necessary to ensure that the SAIF has a statutory specified minimum net worth for each of the fiscal years 1992 through 2000; 6) Discretionary payments by the RTC; 7) Federal Home Loan Bank borrowings; and 8) U.S. Treasury and FFB borrowings.

## 2. Summary of Significant Accounting Policies

**Assessment Revenue Recognition**

FIRREA directed that the FICO, the REFCORP and the FRF have priority over the SAIF for receiving and utilizing SAIF-member assessments to ensure availability of funds for specific operational activities. Accordingly, the SAIF recognizes as assessment revenue only that portion of SAIF-member assessments not required by the FICO, the REFCORP or the FRF. Assessments on SAIF-insured deposits by "Oakar" banks are retained in the SAIF and, thus, are not subject to draws by the FICO, the REFCORP or the FRF (see Note 11).

**Litigation Losses**

The SAIF includes in current period expenses the change in the estimated loss from litigation against the SAIF. The FDIC's Legal Division recommends these estimated losses on a case-by-case basis. As of December 31, 1991 and 1990, no litigation was pending against the SAIF.

**Cost Allocations Among Funds**

Operating expenses (including personnel, administrative and other indirect expenses) not directly charged to each Fund under the FDIC's management are allocated on the basis of the relative degree to which the expenses were incurred by the Funds.

The cost of furniture, fixtures and equipment purchased by the FDIC on behalf of the three Funds under its administration is allocated among these Funds on a pro rata basis. The SAIF expenses its share of these allocated costs at the time of acquisition because capitalizing these expenditures would not be cost-beneficial to the SAIF.

**Related Parties**

The nature of related parties and descriptions of related party transactions are disclosed throughout the financial statements and footnotes.

**Restatement**

A restatement was made to the 1990 Financial Statements regarding assessments paid on SAIF deposits by "Oakar" banks (see Note 11).

**Reclassifications**

Reclassifications have been made in the 1990 Financial Statements to conform to the presentation used in 1991.

### 3. Cash and Cash Equivalents

The SAIF considers cash equivalents to be short-term, highly liquid investments with original maturities of three months or less. The SAIF exit fees collected plus interest (See Note 4) comprise substantially all of the cash and cash equivalent balances and may only be used to meet the SAIF's potential obligation to the FICO. Cash and cash equivalents consisted of the following:

**Cash and Cash Equivalents**

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| Cash | $ 491 | $ 6,241 |
| Cash equivalents | 56,190 | 10,294 |
| | **$ 56,681** | **$ 16,535** |

### 4. Entrance and Exit Fees

The SAIF will receive entrance and exit fees for conversion transactions in which an insured depository institution converts from the BIF to the SAIF (resulting in an entrance fee) or from the SAIF to the BIF (resulting in an exit fee). Interim regulations approved by the FDIC Board of Directors and published in the Federal Register on March 21, 1990, directed that exit fees paid to the SAIF be held in a reserve account until the FDIC and the Secretary of the Treasury determine that it is no longer necessary to reserve such funds for the payment of interest on obligations previously issued by the FICO. It is the FDIC's policy to invest exit fee collections in overnight Treasury securities and hold the proceeds in reserve pending determination of ownership.

The SAIF records entrance fees as revenue after the BIF-to-SAIF conversion transaction is consummated. However, due to the requirement that the SAIF exit fees be held in a reserve account, thereby restricting the SAIF's use of such proceeds, the SAIF does not recognize exit fees, nor any interest earned, as revenue. Instead, the SAIF recognizes the consummation of a SAIF-to-BIF conversion transaction by establishing a receivable from the institution and an identical reserve account to recognize the potential payment to the FICO. As exit fee proceeds are received, the receivable is reduced while the reserve remains pending the determination of funding requirements for interest payments on the FICO's obligations.

Within specified parameters, the interim regulations allow an acquiring institution to pay its entrance/exit fees due, interest free, in equal annual installments over a period of not more than five years. When an institution elects such a payment plan, the SAIF records the entrance or exit fee receivable at its present value. The discount rates (current value of funds) for 1991 and 1990 were 8 percent and 9 percent, respectively. Entrance and Exit Fees Receivable consisted of the following:

**Entrance and Exit Fees**

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| Entrance fees receivable | $ 10 | $ 2 |
| Entrance fees collected | (10) | (2) |
| Exit fees receivable | 159,510 | 71,525 |
| Exit fees collected | (53,358) | (12,991) |
| Unamortized discount | (15,137) | (9,150) |
| | **$ 91,015** | **$ 49,384** |

### 5. Due to the Bank Insurance Fund

On September 19, 1991, Southeast Bank, N.A., Miami, Florida, which held deposits insured by the BIF and the SAIF pursuant to the "Oakar amendment" provisions (as explained in Note 1), was closed by its chartering authority. The BIF, which provided the funds and administers the resolution of Southeast Bank, N. A., has estimated the loss for the failure of Southeast Bank, N.A., and its affiliate Southeast Bank of West Florida, Pensacola, Florida, at $178 million, of which the SAIF has responsibility for $21 million (its allocated share of the loss incurred). Accordingly, the SAIF has established a payable to the BIF for its estimated transaction cost. In addition, interest will accrue on the SAIF's obligation based on the quarterly FFB borrowing rate. During 1991, this rate ranged between 4.7 percent and 5.9 percent.

### 6. Assessments

**Assessment Rate**

The rate set for 1991 is 0.23 percent (23 cents per $100 of domestic deposits). Based on the present and projected status of the SAIF, and anticipated expenses and revenue for the next year, the ratio of the deposit insurance fund to insured deposits is not expected to exceed the current designated reserve ratio of 1.25 percent.

**Transition Assessment**

In September 1989, the FDIC allowed for a one-time transition assessment against SAIF members. A portion of this special assessment was claimed by the FICO for debt servicing needs and the remaining amount was allocated to the FRF. The $120,000 in interest remaining to be transferred to the FRF as of December 31, 1989, was paid in 1990.

**Secondary Reserve Offset**

The FDI Act authorizes insured savings associations to offset against any assessment premiums their pro rata share of amounts that were previously part of the FSLIC's "Secondary Reserve." The Secondary Reserve represented premium prepayments that insured savings institutions were required by law to deposit with the FSLIC during the period 1961 through 1973 to quickly increase FSLIC's insurance reserves to absorb losses if the regular assessments were insufficient. The allowable offset is limited to a maximum of 20 percent of an institution's remaining pro rata share for any calendar year beginning before 1993. After calendar year 1992, there is no limitation on the remaining offset amount.

The Secondary Reserve offset serves to reduce the gross SAIF-member assessments due (excluding assessments from "Oakar" banks), thereby reducing the assessment premiums available to the FICO, the REFCORP, the FRF and the SAIF. The remaining Secondary Reserve balance was $297,761,164 and $359,121,134 at year end 1991 and 1990, respectively. Assessments against SAIF members and "Oakar" banks were as follows:

**Assessments**

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| SAIF assessments collected from SAIF members (net of Secondary Reserve offset and other adjustments/credits of $72,992 and $101,152 in 1991 and 1990) | $ 1,795,227 | $ 1,811,443 |
| SAIF assessments earned from "Oakar" banks | 87,964 | 16,999 |
| **Total assessments earned from SAIF members and "Oakar" banks** | **1,883,191** | **1,828,442** |
| Less: FICO assessment | (756,700) | (738,200) |
| REFCORP assessment | -0- | (1,061,495) |
| Funds recognized by the FRF | (1,038,527) | (11,748) |
| Funds owed to the SAIF | **$ 87,964** | **$ 16,999** |

**7. Pension Benefits, Savings Plans and Accrued Annual Leave**

The SAIF's allocated share of pension benefits and savings plans expenses consisted of the following:

**Pension Benefit and Savings Plans Expenses**

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| Civil Service Retirement System | $ 771 | $ 840 |
| Federal Employee Retirement System (Basic Benefits) | 1,303 | 1,187 |
| FDIC Savings Plan | 754 | 735 |
| Federal Thrift Savings Plan | 318 | 256 |
| | **$ 3,146** | **$ 3,018** |

Eligible FDIC employees (i.e., all permanent and temporary employees with an appointment exceeding one year) are covered by either the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). The CSRS is a defined benefit plan integrated with the Social Security system in certain cases. Plan benefits are determined on the basis of years of creditable service and compensation levels. The CSRS-covered employees can also participate in a federally sponsored tax-deferred savings plan available to provide additional retirement benefits. The FERS is a three-part plan consisting of a basic defined benefit plan which provides benefits based on years of creditable service and compensation levels, Social Security benefits and a tax-deferred savings plan. Further, automatic and matching employer contributions are provided up to specified amounts under the FERS. Eligible employees may participate in an FDIC-sponsored tax-deferred savings plan with matching contributions. The SAIF pays the employer's portion of the related costs.

The liability to employees for accrued annual leave is approximately $1,305,000 and $1,610,000 at December 31, 1991 and 1990, respectively.

Although the SAIF contributes a portion of pension benefits for eligible employees, it does not account for the assets of either retirement system, nor does it have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported and accounted for by the U.S. Office of Personnel Management.

### 8. FDIC Health, Dental and Life Insurance Plans for Retirees

The SAIF's allocated share of retiree benefits are as follows:

**FDIC Health and Dental Plans**

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| Health premiums paid | $ 27 | $ 41 |
| Dental premiums paid | 1 | 4 |

The FDIC provides certain health, dental and life insurance coverage for its eligible retirees. Eligible retirees are those who have elected the FDIC's health and/or life insurance program and are entitled to an immediate annuity. The health insurance coverage is a comprehensive fee-for-service program underwritten by Blue Cross/Blue Shield of the National Capital Area, with hospital coverage and a major medical wraparound; the dental care is underwritten by Connecticut General Life Insurance Company. The FDIC makes the same contributions for retirees as those for active employees. The FDIC benefit programs are fully insured. Effective January 1, 1991, the funding mechanism was changed to a "minimum premium funding arrangement." Fixed costs and expenses for claims are paid as incurred. Premiums are deposited for claims incurred but not reported. The premiums are held by the FDIC.

The life insurance program is underwritten by Metropolitan Life Insurance Company. The program provides for basic coverage at no cost and allows converting optional coverages to direct-pay plans with Metropolitan Life. The FDIC does not make any contributions towards annuitants' basic life insurance coverage; this charge is built into rates for active employees.

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standard No. 106 (Employers' Accounting for Postretirement Benefits Other Than Pensions), which the FDIC is required to adopt by 1993. The standard requires companies to recognize postretirement benefits during the years employees are working and earning benefits for retirement. Resulting estimated expenses will be allocated to the SAIF based on the relative degree to which expenses were incurred. Although the impact of the FDIC's adoption of the standard cannot reasonably be estimated at this time, the standard may increase reported administrative costs and expenses of the SAIF.

## 9. Commitments

The SAIF is currently sharing in the FDIC's lease of office space. The SAIF's lease commitments for office space total $1,976,000 for future years. The agreements contain escalation clauses resulting in adjustments, usually on an annual basis. The SAIF recognized leased space expense of approximately $1,668,325 and $3,383,000 for the years ended December 31, 1991 and 1990, respectively. The SAIF's allocated share of leased space fees for future years, which are committed per contractual agreement, are as follows:

**Leased Fees**

Dollars in Thousands

| 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| $684 | $552 | $391 | $208 | $141 |

## 10. Supplementary Information Relating to the Statements of Cash Flows

**Reconciliation of Net Income to Net Cash Provided by Operating Activities**

| Dollars in Thousands | For the Year Ended December 31 | |
|---|---|---|
| | **1991** | **1990** |
| Net Income | $ 70,157 | $ 16,999 |
| | | |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Increase in amount due from the FSLIC Resolution Fund | (92,551) | (17,010) |
| Increase in entrance and exit fees receivable | (41,630) | (46,231) |
| Decrease (increase) in other assets | (119) | 1,527 |
| Increase (decrease) in accounts payable, accrued and other liabilities | (673) | 1,947 |
| Increase in amount due to the Bank Insurance Fund | 20,723 | -0- |
| Increase in exit fees and investment proceeds held in reserve | 84,239 | 59,303 |
| | | |
| **Net cash provided by operating activities** | **$ 40,146** | **$ 16,535** |

### 11. Subsequent Event

On March 27, 1992, the FDIC's Legal Division rendered the opinion that, under FIRREA, assessments paid on SAIF-insured deposits by "Oakar" banks must be retained in the SAIF, and, thus, are not subject to draws by the FICO, the REFCORP or the FRF. As FIRREA became effective in August 1989, the financial statements for 1990 have been restated. The FRF received the assessments paid on SAIF-insured deposits in 1990 and 1991; therefore the effect of this restatement was to establish a receivable from the FRF and to recognize assessment revenue of $17 million in 1990. Additionally, in 1991, the receivable from the FRF was increased by $91 million and assessment revenue of $88 million and interest revenue of $3 million were recognized. In April 1992, the SAIF received $108 million from the FRF for the 1991 principal and interest receivables.

GAO

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

Comptroller General
of the United States

B-114893

To the Board of Directors
Federal Deposit Insurance Corporation

We have audited the accompanying statements of financial position of the Savings Association Insurance Fund (SAIF) as of December 31, 1991 and 1990, and the related statements of income and fund balance and the statements of cash flows for the years then ended. These financial statements are the responsibility of the Federal Deposit Insurance Corporation (FDIC), SAIF's administrator. Our responsibility is to express an opinion on these financial statements based on our audit. In addition, we are reporting on our consideration of FDIC's internal control structure and its compliance with laws and regulations as they relate to SAIF.

We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SAIF as of December 31, 1991 and 1990, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), created SAIF to provide deposit insurance to all federally-insured savings associations (thrifts) and to thrift deposits acquired by banks, commonly referred to as "Oakar banks."

Through September 30, 1993, the Resolution Trust Corporation (RTC) and SAIF share responsibility for resolution costs associated with failed thrifts. RTC is responsible for resolution costs of any federally-insured thrift that was previously insured by the Federal Savings and Loan Insurance Corporation (FSLIC) and placed into conservatorship or receivership from January 1, 1989, through September 30, 1993. SAIF is responsible for resolution costs of any federally-insured thrift that was not previously insured by FSLIC. After September 30, 1993, SAIF will assume the resolution costs of all SAIF-insured thrifts, including thrifts that were previously insured by FSLIC.[1]

In addition, SAIF is currently responsible for a portion of losses incurred in the resolution of failed Oakar banks. Pursuant to section 5(d)(3) of the Federal Deposit Insurance Act (FDI Act), federally-insured banks can engage in specified transactions in which they acquire thrift deposits without changing insurance coverage for the acquired deposits. Such acquired deposits continue to be insured by SAIF and assessed at SAIF's assessment rate. Losses resulting from the failure of Oakar banks are allocated between SAIF and the Bank Insurance Fund (BIF) in proportion to the bank's SAIF-insured and BIF-insured deposits.

The following sections provide supplementary comments relating to SAIF's financial condition, SAIF's exposure to thrift and bank failures, and factors that could affect the adequacy of SAIF's funding sources.

SAIF'S FINANCIAL CONDITION

As of December 31, 1991, SAIF reported an $87 million fund balance. As discussed in note 5 to the financial statements, SAIF's 1991 financial statements reflect a $21 million loss attributable to the September 1991 failure of Southeast Bank, an Oakar bank. This expense represents SAIF's allocated share of the estimated cost FDIC incurred for Southeast's resolution. During 1991, Southeast Bank was the only Oakar bank closed by federal regulators.

As discussed in note 11 to the financial statements, FDIC recently examined its treatment of assessments paid by Oakar banks on SAIF-insured deposits. Since the enactment of FIRREA in 1989, FDIC had treated Oakar assessments like assessments paid by SAIF members and, accordingly, had distributed the Oakar assessments along with assessments from SAIF members to the Financing Corporation (FICO), Resolution Funding Corporation (REFCORP), and FSLIC

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[1]Any thrift requiring resolution after September 30, 1993, which had previously been under RTC conservatorship or receivership may be returned to RTC for resolution, in accordance with the provisions of the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991.

Resolution Fund (FRF), under applicable statutory provisions.[2] FDIC concluded that Oakar assessments could be retained by SAIF rather than distributed among FICO, REFCORP, and FRF, and has applied this determination retroactively to FIRREA's enactment. This retroactive treatment results in SAIF reporting revenues of $91 million and $17 million in 1991 and 1990, respectively, and recognizing a receivable in 1991 from FRF of $108 million for the Oakar assessments originally paid to FRF.[3] Based on our review of the applicable statutory provisions and information FDIC provided, we believe its conclusion and treatment of Oakar assessments are reasonable.

## SAIF's FUTURE VIABILITY IS UNCERTAIN

The losses SAIF incurs from future thrift and Oakar bank failures and the adequacy of its funding to carry out its responsibilities in light of these losses will affect SAIF's ability to provide insurance protection to depositors and remain viable.

### SAIF's Continuing Exposure to Losses From Thrift Failures

Private sector thrifts (those not under the government's control) ended 1991 with a $2 billion profit, making 1991 the thrift industry's first profitable year in 5 years. The Office of Thrift Supervision (OTS), the industry's federal regulator, attributes this profit to (1) the decline in interest rates, resulting in a favorable spread between the rates of interest thrifts earn and the rates thrifts must pay to borrow funds, and (2) RTC's resolution actions, which eliminated a total of 584 unprofitable thrifts between August 9, 1989, and December 31, 1991.

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[2]FICO, established in 1987 to recapitalize FSLIC, has first claim on assessments of SAIF members for payment of interest and custodial costs on its bonds. Although FICO no longer has authority to issue bonds, its claim to the assessments will continue until the 30-year recapitalization bonds mature. In addition, REFCORP, established in 1989 to provide funding for RTC, was entitled to assessments of SAIF members to finance payment of bond principal. REFCORP ceased all future bond issuances in early 1991 and therefore has no further claim to assessments. Finally, FRF, established in 1989 to liquidate the assets and liabilities of the former FSLIC, is entitled, through December 31, 1992, to assessments from SAIF members not taken by FICO or REFCORP.

[3]All of SAIF's Oakar assessments had been requested by and given to FRF. SAIF's $108 million receivable as of December 31, 1991, consists of $105 million of Oakar assessments paid to FRF during 1990 and 1991 plus $3 million of interest income for FRF's use of the Oakar assessments. No Oakar banks existed in 1989.

While the thrift industry's financial condition improved during 1991, the industry's continued profitability will be affected by uncertainties, including the future condition of the economy, that will in turn impact SAIF's exposure to potential insurance losses. If the interest rate spread continues to be favorable, many poorly capitalized thrifts may remain marginally viable, and their failure may be delayed until after September 1993 when SAIF takes on its full resolution responsibility. In addition, some thrifts have bolstered their earnings by selling a portion of their income-producing, quality assets. However, by selling some of their better assets, these thrifts are left with a greater proportion of non-income producing, poor-quality assets that could reduce future earnings, thus making those thrifts more vulnerable to failure.

RTC's continued resolution progress will have a significant effect on SAIF's exposure to insurance losses. Under FIRREA, RTC was to resolve thrifts previously insured by FSLIC for which a conservator or receiver was appointed by August 9, 1992, leaving a smaller but healthier industry to be insured by SAIF. However, the cleanup of the thrift industry is taking longer than originally planned. The Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 extended RTC's resolution authority through September 30, 1993, to enable SAIF to assume its responsibilities without a backlog of institutions requiring resolution.

Between August 9, 1989, and December 31, 1991, RTC resolved a total of 584 thrifts. As of December 31, 1991, OTS had identified another 190 thrifts as probable resolution candidates and anticipates that RTC will resolve these thrifts by September 30, 1993--the last date RTC can accept thrifts for resolution. Of the 190 thrifts, 91 were in conservatorship as of December 31, 1991, and thus will remain RTC's responsibility. The remaining 99 thrifts were either unprofitable or had poor earnings. OTS also had identified another 70 thrifts, including several large California thrifts, as possible candidates for resolution by September 30, 1993. However, as of May 11, 1992, RTC had not been provided with the requested funds necessary to continue thrift resolutions. If RTC is not given sufficient funding to resolve the thrifts requiring resolution for which a conservator or receiver is not appointed by the 1993 deadline, these thrifts will become SAIF's resolution responsibility. In addition to the 190 probable and 70 possible thrift resolution candidates, OTS considers another 260 thrifts as troubled. However, according to OTS, these thrifts are not likely to fail within the next 2 years. Therefore, if general economic conditions worsen, or interest rates rise and these marginal thrifts actually fail, SAIF will have resolution responsibility.

To monitor the condition of the thrift industry, OTS classifies private sector thrifts into four groups based on their ability to meet capital standards, their prospects for future viability, and the results of supervisory/regulatory examinations. OTS defines these groups as follows:

-- Group I thrifts are well-capitalized and profitable.

-- Group II thrifts currently meet or are expected to meet capital requirements.

-- Group III thrifts are "troubled," with poor earnings and low capital. OTS does not expect that all thrifts in this group will require assistance. However, included in this group are the several large California thrifts that OTS believes may need assistance within the next year.

-- Group IV thrifts have negative tangible capital and are consistently unprofitable. OTS expects that all thrifts in this group will require resolution; however, eight of these thrifts' resolutions are expected to be at no cost to the government.

At December 31, 1991, OTS classified the remaining 2,096 private sector thrifts into the above groups as shown in table 1.

Table 1: OTS Classifications

(Dollars in billions)

| | OTS Groups | | | | |
|---|---|---|---|---|---|
| | I | II | III | IV | Total |
| Thrifts | 983 | 676 | 372 | 65 | 2,096 |
| Percent of industry | 47 | 32 | 18 | 3 | 100 |
| Assets held by thrifts | $312 | $299 | $229 | $49 | $ 889 |
| Percent of industry's assets | 35 | 34 | 26 | 5 | 100 |

At the end of 1991, OTS reported that Group IV thrifts comprised 3 percent of the industry compared with 8 percent at the end of 1990, and that thrifts in Group IV held 5 percent of the industry's assets compared with 13 percent at the end of 1990. In addition, in 1991 there was a small increase in the percentage of Group I thrifts, which are thrifts that OTS considers to be well-capitalized and profitable.

SAIF's Increased Exposure to Losses From Bank Failures

The financial condition of the banking industry is of increasing importance to SAIF because the number of Oakar banks has more than doubled over the past year, increasing SAIF's exposure to losses incurred from bank failures. Since Oakar banks are created primarily through the resolution of thrifts, the number of Oakar banks is expected to increase as thrift resolutions continue. At the end of 1991, 305 Oakar banks held approximately $61 billion of SAIF-insured deposits, or 8 percent of SAIF's total insured deposits, compared with 138 Oakar banks holding $31 billion of SAIF-insured deposits, or 3.7 percent of SAIF's total insured deposits, at the end of 1990. During 1991, in addition to the one Oakar bank that was closed, FDIC identified nine Oakar banks with assets of $26 billion and estimated SAIF-insured deposits of $3 billion as exhibiting serious financial weaknesses and/or potential unsafe and unsound conditions that could impair their viability and therefore expose SAIF to insurance losses.

### Adequacy of SAIF's Funding Sources Is Uncertain

As amended, the FDI Act provides SAIF with two primary revenue sources--insurance assessments and Treasury payments, that may be used for resolution activity. Through December 1992, SAIF will receive insurance assessments only on SAIF-insured deposits held by Oakar banks. After December 1992, SAIF will receive all insurance assessments--from thrifts and Oakar banks--except for the portion used to pay interest on FICO bonds. The FDI Act provides for Treasury payments as a back-up funding source to insurance assessments. To the extent that these assessments do not total $2 billion a year, section 11(a)(6) requires the Treasury to fund the difference for each fiscal year from 1993 through 2000. Assuming funds are appropriated, SAIF is assured of at least $16 billion in either assessment income or Treasury payments during this 8-year period. Section 11(a)(6) also requires the Treasury to make annual payments necessary to ensure that SAIF has a specified net worth, ranging from zero during fiscal year 1992 to $8.8 billion during fiscal year 2000. The cumulative amounts of these net worth payments cannot exceed $16 billion. Finally, section 11(a)(6) provides an authorization for funds to be appropriated to the Secretary of the Treasury for purposes of these payments.

Assuming optimistic deposit growth rates of 5 percent a year and no change in assessment rates applied against these deposits, SAIF's assessment income is not likely to exceed $2 billion in any year through 2000. Thus, the maximum amount from insurance assessments and Treasury payments that SAIF will receive under the statutory scheme through 2000 is not likely to exceed $32 billion. Whether these revenue sources will be sufficient to enable SAIF to carry out its responsibilities and still achieve its specified net worth goals will depend on resolution demands.

In addition to minimum net worth levels, the FDI Act, as amended by FIRREA, established a designated reserve ratio for SAIF of 1.25 percent of its insured deposits. SAIF is currently well below this designated reserve ratio. As of December 31, 1991, SAIF's reserve ratio was essentially zero, and is not expected to improve through 1992 due to the payment of SAIF insurance assessments to FICO and FRF. As of December 31, 1991, SAIF would have needed a fund balance or reserve of approximately $10.5 billion to have met the 1.25 percent designated reserve ratio. To meet this ratio at the end of 1992, SAIF will need a reserve of approximately $9.5 billion, assuming an optimistic deposit growth rate of 5 percent and no insurance losses during 1992.

The FDI Act states that the SAIF assessment rate shall be set by FDIC to maintain SAIF's reserve at its designated reserve ratio or to increase the reserve ratio to the designated ratio within a reasonable period of time. The FDI Act, as amended by the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDIC Improvement Act), also requires FDIC to implement a risk-based premium system by January 1, 1994. Under this system, insured institutions considered to pose a greater risk of loss to SAIF would be assessed at higher rates than stronger, well-capitalized and better-managed institutions. FDIC may implement a transitional risk-based premium system prior to January 1, 1994.

In May 1992, FDIC proposed an assessment rate increase from the current rate of 23 cents per $100 of domestic deposits to 28 cents effective January 1, 1993. This proposed rate increase is based on FDIC's analysis of the condition of SAIF and its ability to achieve the designated reserve ratio over the next 15 years. This assessment rate increase, along with assessments imposed under FDIC's risk-based assessment system to be in effect by January 1, 1994, are designed to allow SAIF to reach the designated reserve ratio within a reasonable period of time.[4] FDIC's analysis supporting this rate determination did not consider the Treasury payments required by the FDI Act because FDIC is not certain that the Congress would appropriate the funds for these Treasury payments.[5]

In addition to the revenue sources mentioned above, FDIC may borrow from a number of sources on behalf of SAIF. Under the FDI Act, as amended by the FDIC Improvement Act, FDIC's borrowings are subject to a formula that limits its total outstanding obligations. FDIC may borrow up to $30 billion from the Treasury to cover losses incurred in resolving institutions insured by SAIF or BIF. Such borrowing is to be a liability of the related fund and is to be repaid by the respective fund through insurance assessments. Because the $30 billion is available for both SAIF and BIF, the amount of borrowing authority available for SAIF will

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[4]If FDIC adopts a risk-based premium structure to become effective at the same time as the proposed rate increase, the increased assessment rate would be the target average assessment rate of SAIF members, which is also 28 cents per $100 of domestic deposits.

[5]The Federal Register; p. 21,627; May 21, 1992.

largely depend on BIF's borrowing demands. In addition, subject to the limitation on FDIC's outstanding obligations, FDIC may borrow funds for working capital from the Federal Financing Bank and, with the concurrence of the Federal Housing Finance Board, may borrow from the Federal Home Loan Banks on behalf of SAIF.

Although it appears that the Congress has provided SAIF with funding sources that will allow SAIF to meet its obligations, given the uncertainties over the actual funds that will be available, SAIF's future viability cannot be reliably predicted.

Charles A. Bowsher

Charles A. Bowsher
Comptroller General
of the United States

May 11, 1992

# Financial Statements

FSLIC Resolution Fund

F R F

Federal Deposit Insurance Corporation

**FSLIC Resolution Fund**
**Statements of Income and Accumulated Deficit**

| Dollars in Thousands | For the Year Ended December 31 | |
|---|---|---|
| | **1991** | **1990** |
| **Revenue** | | |
| Assessments earned (Note 11) | $ 1,038,527 | $ 10,599 |
| Interest on U.S. Treasury obligations | 29,599 | 45,277 |
| Other interest | 13,826 | 10,541 |
| Revenue from corporate-owned assets | 188,257 | 310,392 |
| Other revenue | 29,138 | 80,949 |
| | **1,299,347** | **457,758** |
| **Expenses and Losses** | | |
| Administrative expenses | 42,004 | 86,822 |
| Interest expense | 968,774 | 1,869,216 |
| Operating expenses for corporate-owned assets | 117,923 | 124,071 |
| Provision for losses (Note 9) | 1,669,366 | 4,311,682 |
| Other expenses | 69,446 | 6,744 |
| | **2,867,513** | **6,398,535** |
| **Net (Loss) Before Funding Transfer** | **(1,568,166)** | **(5,940,777)** |
| Funding Transfer to Savings Association Insurance Fund (Note 1) | (42,362) | (56,088) |
| **Net (Loss)** | **(1,610,528)** | **(5,996,865)** |
| **Accumulated Deficit - Beginning** | **(41,883,259)** | **(35,886,394)** |
| **Accumulated Deficit - Ending** | **$ (43,493,787)** | **$ (41,883,259)** |

The accompanying notes are an integral part of these financial statements.

Federal Deposit Insurance Corporation

## FSLIC Resolution Fund
## Statements of Financial Position

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| **Assets** | | |
| Cash and cash equivalents (Note 3) | $ 767,339 | $ 1,256,066 |
| Net receivables from thrift resolutions (Note 4) | 2,932,774 | 5,051,412 |
| Investment in corporate-owned assets, net (Note 5) | 586,970 | 1,027,929 |
| Other assets (Note 6) | 14,864 | 80,172 |
| | **4,301,947** | **7,415,579** |
| | | |
| **Liabilities** | | |
| Accounts payable, accrued and other liabilities (Note 2) | 172,432 | 39,592 |
| Liabilities incurred from thrift resolutions (Note 7) | 11,810,096 | 23,559,134 |
| Estimated Liabilities for: | | |
| Assistance agreements (Note 8) | 7,410,621 | 17,839,267 |
| Litigation losses (Note 9) | 167,585 | 107,845 |
| **Total Liabilities** | **19,560,734** | **41,545,838** |
| | | |
| **Resolution Equity (Note 10)** | | |
| Contributed capital | 28,235,000 | 7,753,000 |
| Accumulated deficit | (43,493,787) | (41,883,259) |
| | | |
| **Total Resolution Equity** | **(15,258,787)** | **(34,130,259)** |
| | | |
| | **$ 4,301,947** | **$ 7,415,579** |

The accompanying notes are an integral part of these financial statements.

Federal Deposit Insurance Corporation

## FSLIC Resolution Fund
## Statements of Cash Flows

| Dollars in Thousands | For the Year Ended December 31 | |
|---|---|---|
| | **1991** | **1990** |
| **Cash Flows From Operating Activities** | | |
| Cash inflows from: | | |
| Assessments | $ 1,050,275 | $ -0- |
| Interest on U.S. Treasury obligations | 30,031 | 45,278 |
| Recoveries from thrift resolutions | 1,923,914 | 2,047,069 |
| Recoveries from corporate-owned assets | 493,506 | 675,639 |
| Miscellaneous receipts | 148,490 | 91,141 |
| Cash outflows for: | | |
| Administrative expenses | 60,657 | 89,342 |
| Disbursements for thrift resolutions | 10,126,068 | 6,629,108 |
| Disbursements for corporate-owned assets | 117,055 | 124,071 |
| Interest paid on indebtedness incurred from thrift resolutions | 1,262,472 | 1,126,458 |
| **Net Cash Used by Operating Activities Before Funding Transfer** | **(7,920,036)** | **(5,109,852)** |
| Funding transfer to the Savings Association Insurance Fund (Note 1) | 40,650 | 56,088 |
| **Net Cash Used by Operating Activities (Note 16)** | **(7,960,686)** | **(5,165,940)** |
| **Cash Flows Provided From Investing Activities** | **-0-** | **-0-** |
| **Cash Flows From Financing Activities** | | |
| Cash inflows from: | | |
| U.S. Treasury payments | 20,482,000 | 5,924,000 |
| Cash outflows for: | | |
| Payments of indebtedness incurred from thrift resolutions | 13,010,041 | 1,078,121 |
| **Net Cash Provided by Financing Activities** | **7,471,959** | **4,845,879** |
| **Net Decrease in Cash and Cash Equivalents** | **(488,727)** | **(320,061)** |
| **Cash and Cash Equivalents - Beginning** | **1,256,066** | **1,576,127** |
| **Cash and Cash Equivalents - Ending** | **$ 767,339** | **$ 1,256,066** |

The accompanying notes are an integral part of these financial statements.

*Notes to Financial Statements*
*FSLIC Resolution Fund*
*December 31, 1991 and 1990*

**1. Legislative History and Reform**

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) was enacted to reform, recapitalize and consolidate the federal deposit insurance system. FIRREA designated the Federal Deposit Insurance Corporation (FDIC) as administrator of the Bank Insurance Fund (BIF), which insures the deposits of all BIF-member institutions (normally commercial banks), and the Savings Association Insurance Fund (SAIF), which insures the deposits of all SAIF-member institutions (normally thrifts). Both insurance funds are maintained separately to carry out their respective mandates. The FDIC also administers the FSLIC Resolution Fund (FRF) which is responsible for winding up the affairs of the former Federal Savings and Loan Insurance Corporation (FSLIC).

FIRREA created the Resolution Trust Corporation (RTC), which manages and resolves all thrifts previously insured by the FSLIC for which a conservator or receiver is appointed during the period January 1, 1989, through August 8, 1992. The Resolution Trust Corporation Refinancing, Restructuring and Improvement Act of 1991 (1991 RTC Act) extended the RTC's general resolution authority through September 30, 1993, and beyond that date for those institutions previously placed under RTC control.

The Resolution Funding Corporation (REFCORP) was established by FIRREA to provide funds to the RTC for use in the thrift industry bailout. The Financing Corporation (FICO), established under the Competitive Equality Banking Act of 1987, is a mixed-ownership government corporation whose sole purpose was to function as a financing vehicle for the FSLIC. However, effective December 12, 1991, as provided by the Resolution Trust Corporation Thrift Depositor Protection Reform Act of 1991, the FICO's authority to issue obligations as a means of financing for the FRF was terminated.

**Operations of the FRF**

The primary purpose of the FRF is to liquidate the assets and contractual obligations of the now defunct FSLIC. The FRF will complete the resolution of all thrifts that failed before January 1, 1989, or were assisted before August 9, 1989. FIRREA provided that the RTC manage any receivership resulting from thrift failures that occurred after January 1989 but prior to the enactment of FIRREA. There were seven such receiverships that are included in the FRF financial statements because the FRF remains financially responsible for the losses associated with these resolution cases.

The FRF is funded from the following sources, to the extent funds are needed, in this order: 1) income earned on, and proceeds from the disposition of, assets of the FRF;

2) liquidating dividends and payments made on claims received by the FRF from receiverships to the extent such funds are not required by the REFCORP or the FICO; 3) amounts borrowed by the FICO; and 4) amounts assessed against SAIF members by the FDIC that are not claimed by the FICO or by the REFCORP during the period from inception (August 9, 1989) through December 31, 1992. Excluded are assessments paid by BIF-member banks (so called "Oakar" banks, created pursuant to the "Oakar amendment" provisions found in Section 5(d)(3) of the FDIC Act) on SAIF-insured deposits. If these sources are insufficient to satisfy the liabilities of the FRF, payments will be made from the U.S. Treasury in such amounts as are necessary, as approved by the Congress, to carry out the purpose of the FRF.

The 1991 RTC Act amended the FDI Act by extending the FRF funding of the SAIF administrative and supervisory expenses through September 30, 1992. Upon termination of the RTC (not later than December 31, 1996), all assets and liabilities of the RTC will be transferred to the FRF, after which all future net proceeds from the sale of such assets will be transferred to the REFCORP for interest payments. The FRF will continue until all of its assets are sold or otherwise liquidated and all of its liabilities are satisfied. Upon the dissolution of the FRF, any funds remaining will be paid to the U.S. Treasury. Any administrative facilities and supplies will be transferred to the SAIF.

## 2. Summary of Significant Accounting Policies

### General

These financial statements pertain to the financial position, results of operations and cash flows of the FRF. These statements do not include reporting for assets and liabilities of closed insured thrift institutions for which the FRF acts as receiver or liquidating agent. Periodic and final accountability reports of the FRF's activities as receiver or liquidating agent are furnished to courts, supervisory authorities and others as required.

### Allowance for Loss on Receivables and Investment in Corporate-Owned Assets

The FRF records as a receivable the amounts advanced for assisting and closing thrift institutions. The FRF records as an asset the amounts advanced for investment in assets. Any related allowance for loss represents the difference between the funds advanced and the expected repayment. The latter is based on the estimated cash recoveries from the assets of the assisted or failed thrift institution, net of all estimated liquidation costs.

### Estimated Liabilities for Assistance Agreements

The FRF establishes an estimated liability for probable future assistance payable to acquirers of troubled thrifts under its financial assistance agreements. Such estimates are presented on a discounted basis.

**Litigation Losses**

The FRF accrues, as a charge to current period operations, an estimate of loss from litigation against the FRF in both its corporate and receivership capacities. The FDIC's Legal Division recommends these estimates on a case-by-case basis.

**Receivership Administration**

The FRF is responsible for controlling and disposing of the assets of failed institutions in an orderly and efficient manner. The assets, and the claims against those assets, are accounted for separately to ensure that liquidation proceeds are distributed in accordance with applicable laws and regulations. Costs and expenses relating to specific receiverships are directly charged to those receiverships. The FRF also recovers indirect liquidation expenses from the receiverships.

**Cost Allocations Among Funds**

Operating expenses (including personnel, administrative and other indirect expenses) not directly charged to each Fund under FDIC's management are allocated on the basis of the relative degree to which the expenses were incurred by the Funds.

The cost of furniture, fixtures and equipment purchased by the FDIC on behalf of the three Funds under its administration is allocated among these Funds on a pro rata basis. The FRF expenses its share of these allocated costs at the time of acquisition because of their immaterial amounts.

**Assessment Revenue Recognition**

FIRREA directed that the FICO, the REFCORP and the FRF have priority over the SAIF for receiving and utilizing SAIF-member assessments to ensure availability of funds for specific operational activities. Accordingly, the FRF recognizes as assessment revenue only that portion of SAIF-member assessments not claimed by the FICO or the REFCORP. Assessments paid by "Oakar" banks on their SAIF-insured deposits are retained in the SAIF and, thus, are not subject to draws by the FICO, the REFCORP or the FRF (see Notes 1,11 and 17).

**Wholly Owned Subsidiary**

The Federal Asset Disposition Association (FADA) is a wholly owned subsidiary of the FRF. The FADA was placed in receivership on February 5, 1990. However, due to outstanding litigation, a final liquidating dividend to the FRF will not be made until such time as the FADA's litigation liability is settled or dismissed. The investment in the FADA is accounted for using the equity method and is included in the financial statement line item "Other assets" (Note 6). The value of the investment has been adjusted for projected expenses relating to the liquidation of the FADA. The FADA's estimate of probable litigation losses range from $2 million to $3.6 million. Accordingly, a $2 million litigation loss has been recognized as a reduction in the value of FRF's investment in the FADA. Additional litigation losses considered reasonably possible are estimated to be from $4 million to $45 million and remain unrecognized. In addition, losses from two potential lawsuits and/or claims against the FADA cannot be estimated at this time.

**Related Parties**

The nature of related parties and descriptions of related party transactions are disclosed throughout the financial statements and footnotes.

**Restatement**

The 1990 financial statements have been restated for the following reasons: 1) the presentation of net receivables from thrift resolutions and liabilities incurred from thrift resolutions was changed from including Income Capital Certificates (ICCs) and Net Worth Certificates (NWCs) as off-balance sheet disclosure to presenting the effect of these certificates directly on the statements; 2) assessment revenue earned and accounts payable, accrued and other liabilities were restated to comply with the requirements of FIRREA (see Notes 10, 11 and 17); and 3) administrative operating expense decreased by $107,000 due to a prior period adjustment.

**Reclassifications**

Reclassifications have been made in the 1990 Financial Statements to conform to the presentation used in 1991.

## 3. Cash and Cash Equivalents

The FRF considers cash equivalents to be short-term, highly liquid investments with original maturities of three months or less. In 1991, cash restrictions included $2.5 million for health insurance payable and $35.4 million for funds held in trust.

**Cash and Cash Equivalents**

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| Cash | $ 233,875 | $ 1,018,643 |
| Cash equivalents | 533,464 | 237,423 |
| | **$ 767,339** | **$ 1,256,066** |

## 4. Net Receivables from Thrift Resolutions

**Net Receivables from Thrift Resolutions**

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| **Receivables from Operating Thrifts:** | | |
| Collateralized loans | $ 560,000 | $ 650,000 |
| Other loans | 267,880 | 282,860 |
| Capital instruments | 289,471 | 323,403 |
| Preferred stock from assistance transactions | 445,659 | 511,686 |
| Accrued interest receivable | 21,190 | 19,668 |
| Allowance for losses (Note 9) | (659,869) | (547,014) |
| | **924,331** | **1,240,603** |
| **Receivables from Closed Thrifts:** | | |
| Resolution transactions | 11,361,828 | 12,827,137 |
| Collateralized advances/loans | 329,682 | 385,898 |
| Other receivables | 249,187 | 327,392 |
| Allowance for losses (Note 9) | (9,932,254) | (9,729,618) |
| | **2,008,443** | **3,810,809** |
| | | |
| | **$ 2,932,774** | **$ 5,051,412** |

As of December 31, 1991 and 1990, the FRF, in its receivership capacity, held assets of $7 billion and $10.2 billion, respectively. The estimated cash recoveries from the sale of these assets (excluding cash and miscellaneous receivables of $483 million) are regularly evaluated, but remain subject to uncertainties because of changing economic conditions affecting real estate assets now in the marketplace. These factors could reduce the FRF's actual recoveries upon the sale of these assets from the level of recoveries currently estimated.

Receivables from thrift resolutions include amounts outstanding to qualified institutions under the Capital Instrument Program. The FSLIC purchased capital instruments such as ICCs and NWCs from insured institutions either in a noncash exchange (by issuing a note payable of equal value) or by cash payments. The total amount of ICCs outstanding as of December 31, 1991 and 1990, is $157,446,000 and $175,153,000, respectively. Likewise, the total amount of NWCs outstanding as of December 31, 1991 and 1990, is $132,025,000 and $148,250,000, respectively.

The FRF pays interest on notes payable to an assisted institution in cash, while the institution only accrues the interest expense on the certificates to the FRF. If an institution is profitable, it will pay interest to the FRF. The FRF recognizes interest revenue when received from an institution.

## 5. Investment in Corporate-Owned Assets, Net

**Investment in Corporate-Owned Assets, Net**

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| Investment in corporate-owned assets | $ 3,554,985 | $ 3,701,828 |
| Allowance for losses | (2,968,015) | (2,673,899) |
| | **$ 586,970** | **$ 1,027,929** |

The FSLIC acquired assets from problem institutions in its efforts to merge and/or sell failing thrifts. The vast majority of these assets are real estate and mortgage loans.

## 6. Other Assets

**Other Assets**

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| Investment in FADA, net | $ 11,417 | $ 15,781 |
| Accounts receivable, net | 3,447 | 64,391 |
| | **$ 14,864** | **$ 80,172** |

## 7. Liabilities Incurred from Thrift Resolutions

**Liabilities Incurred from Thrift Resolutions**

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| Notes payable to Federal Home Loan Banks/U.S. Treasury | $ 560,000 | $ 650,000 |
| Notes payable to acquirers of failed institutions | 700,572 | 775,112 |
| Capital instruments (Note 4) | 41,325 | 184,935 |
| Assistance agreement notes | 7,582,557 | 18,096,731 |
| Accrued assistance agreement costs | 2,437,188 | 2,929,623 |
| Accrued interest | 111,882 | 437,783 |
| Other liabilities to savings institutions | 376,572 | 484,950 |
| | **$ 11,810,096** | **$ 23,559,134** |

The FSLIC had issued promissory notes and entered into assistance agreements in order to prevent the default and subsequent liquidation of certain insured thrift institutions. These notes and agreements required the FSLIC to provide financial assistance over time. Under FIRREA, the FRF has assumed these obligations. The FRF presents its notes payable and its obligation for assistance agreement payments incurred but not yet paid as a component of the line item "Liabilities incurred from thrift resolutions." Estimated future assistance payments to acquirers required under its assistance agreements are presented as a component of the line item "Estimated liabilities for assistance agreements" (Note 8).

**Maturities of Liabilities**

Dollars in Thousands

| 1992 | 1993 | 1994 | 1995 | 1996 | 1997/Thereafter |
|---|---|---|---|---|---|
| $6,785,433 | $494,516 | $381,240 | $795,368 | $401,418 | $2,952,121 |

**8. Estimated Liabilities for Assistance Agreements**

The "Estimated liabilities for assistance agreements" line item represents, on a discounted basis, an estimate of future assistance payments to acquirers of troubled thrift institutions. The discount rate applied as of December 31, 1991 and 1990, was 5.625 percent and 8.25 percent respectively, based on U.S. money rates for federal funds.

Future assistance stems from the FRF's obligation to: 1) fund losses inherent in assets covered under the assistance agreement (e.g., by subsidizing asset write-downs, capital losses and goodwill amortization) and 2) supplement the actual yield earned from covered assets as necessary for the acquirer to achieve a specified yield (the "guaranteed yield"). Estimated total assistance costs recognized for current assistance agreements with institutions involving covered assets include estimates for the loss expected on the assets based on their appraised values. The FRF is obligated to fund any losses sustained by the institutions on the sale of the assets. If asset losses are incurred in excess of those recognized, the possible cash requirements and the accounting loss could be as high as $9.4 billion, should all underlying assets prove to be of no value (Note 15). The costs and related cash requirements associated with the maintenance of covered assets are calculated using market interest rates and would change proportionately with any change in market rates.

The RTC, on behalf of the FRF, has authority to modify, renegotiate or restructure the 1989 and 1988 assistance agreements with FSLIC-assisted institutions with terms more favorable to the FRF. In accordance with a 1991 RTC Board Resolution, any FSLIC-assisted institution that has been placed in RTC conservatorship or receivership is subject to revised termination procedures. During 1991, the RTC exercised its authority by terminating assistance agreements with two FSLIC-assisted institutions placed in receivership/conservatorship. These transactions resulted in a reclassification of $2.4 billion from "Estimated liabilities for assistance agreements" to "Liabilities incurred from thrift resolutions." An additional assistance agreement was terminated resulting in the issuance of a $158 million short-term note for the purchase of covered assets. There were 131 assistance agreements outstanding as of December 31, 1991, the last of which is scheduled to expire in December 1998.

The estimated liabilities for assistance agreements are affected by several factors, including adjustments to expected notes payable, the terms of the assistance agreements outstanding and, in particular, the salability of the related covered assets. The variable nature of the FRF assistance agreements will cause the cost requirements to fluctuate. This fluctuation will impact both the timing and amount of eventual cash payments. Although the "Estimated liabilities for assistance agreements" line item is presented on a discounted basis, the following schedule details the projected timing of the future cash payments on a nominal dollar basis:

| Dollars in Thousands | | December 31, 1991 | | | |
|---|---|---|---|---|---|
| **1992** | **1993** | **1994** | **1995** | **1996** | **1997/Thereafter** |
| $4,231,675 | $1,618,362 | $828,056 | $495,111 | $263,436 | $592,115 |

## 9. Analysis of Changes in Allowance for Losses and Estimated Liabilities

Adjustments include reclassifications, transfers and audit adjustments to the allowance for losses and estimated liabilities. The majority of the 1991 adjustments to "Estimated liabilities for assistance agreements" includes reclassifications to the statements of financial position line item "Liabilities incurred from thrift resolutions" for notes payable and related accrued assistance agreement costs.

**Analysis of Changes in Allowance for Losses and Estimated Liabilities**

Dollars in Millions

| Allowance for Losses | Begin Balance (01-01-91) | Provision for Losses | Net Cash Payments | Adjustments | End Balance (12-31-91) |
|---|---|---|---|---|---|
| Operating thrifts | $ 547 | $ 129 | $ -0- | $ (16) | $ 660 |
| Closed thrifts | 9,730 | 264 | -0- | (62) | 9,932 |
| Investment in corporate-owned assets | 2,674 | 169 | -0- | 125 | 2,968 |
| Investment in FADA | 9 | 4 | -0- | -0- | 13 |
| **Total Allowances** | **12,960** | **566** | **-0-** | **47** | **13,573** |
| Estimated Liabilities for: | | | | | |
| Assistance agreements | 17,839 | 1,043 | (9,645) | (1,826) | 7,411 |
| Litigation losses | 108 | 60 | -0- | -0- | 168 |
| **Total Estimated Liabilities** | **17,947** | **1,103** | **(9,645)** | **(1,826)** | **7,579** |
| **Total Allowances/Liabilities** | **$ 30,907** | **$ 1,669** | **$ (9,645)** | **$ (1,779)** | **$ 21,152** |

## Analysis of Changes in Allowance for Losses and Estimated Liabilities

Dollars in Millions

| Allowance for Losses | Begin Balance (01-01-90) | Provision for Losses | Net Cash Payments | Adjustments | End Balance (12-31-90) |
|---|---|---|---|---|---|
| Operating thrifts | $ 405 | $ 236 | $ -0- | $ (94) | $ 547 |
| Closed thrifts | 9,515 | 171 | -0- | 44 | 9,730 |
| Investment in corporate-owned assets | 2,674 | 41 | -0- | (41) | 2,674 |
| Investment in FADA | 9 | -0- | -0- | -0- | 9 |
| **Total Allowances** | **12,603** | **448** | **-0-** | **(91)** | **12,960** |
| Estimated Liabilities for: | | | | | |
| Assistance agreements | 20,048 | 3,859 | (5,517) | (551) | 17,839 |
| Litigation losses | 103 | 5 | -0- | -0- | 108 |
| **Total Estimated Liabilities** | **20,151** | **3,864** | **(5,517)** | **(551)** | **17,947** |
| **Total Allowances/Liabilities** | **$ 32,754** | **$ 4,312** | **$ (5,517)** | **$ (642)** | **$ 30,907** |

## 10. Resolution Equity

**Resolution Equity**

Dollars in Thousands

| | Begin Balance (01-01-91) | Net (Loss) | Treasury Payments | End Balance (12-31-91) |
|---|---|---|---|---|
| Contributed Capital | $ 7,753,000 | $ -0- | $ 20,482,000 | $ 28,235,000 |
| Accumulated Deficit | (41,883,259) | (1,610,528) | -0- | (43,493,787) |
| | **$ (34,130,259)** | **$ (1,610,528)** | **$ 20,482,000** | **$ (15,258,787)** |

| | Begin Balance (01-01-90) | Net (Loss) | Treasury Payments | End Balance (12-31-90) |
|---|---|---|---|---|
| Contributed Capital | $ 1,829,000 | $ -0- | $ 5,924,000 | $ 7,753,000 |
| Accumulated Deficit | (35,886,394) | (5,996,865) (Note 2) | -0- | (41,883,259) |
| | **$ (34,057,394)** | **$ (5,996,865)** | **$ 5,924,000** | **$ (34,130,259)** |

The Accumulated Deficit includes $7.5 billion in non-redeemable capital certificates and redeemable capital stock issued by the FSLIC. Capital instruments have been issued by the FSLIC and the FRF to the FICO as a means of obtaining capital. However, due to the availability of U.S. Treasury payments to satisfy FRF obligations, no additional borrowings from the FICO are anticipated. Effective December 12, 1991, the FICO's authority to issue obligations as a means of financing for the FRF was terminated (see Note 1). Furthermore, the implementation of FIRREA has effectively removed the redemption characteristics of the capital stock issued by the FSLIC.

## 11. Assessments

In January 1991, FRF received $27.5 million of SAIF-member assessments previously claimed by REFCORP. REFCORP did not require the funds because they have no further plans for issuing public debt. The FRF is next in line to claim assessments not required by FICO or REFCORP. A receivable and corresponding credit to revenue were posted in 1990 to reflect entitlement to the assessment. The FRF recognized assessments earned totaling $1 billion in 1991.

The FDIC Legal Division rendered an opinion in March 1992 that assessments paid by "Oakar" banks on SAIF-insured deposits should be retained by the SAIF, and that income recognition (by the SAIF) should be retroactive to FIRREA's enactment date. As of December 31, 1991 and 1990, the FRF recorded a payable to the SAIF of $88 million and $17 million, respectively, for "Oakar" assessment revenue.

**Secondary Reserve Offset**

The FDI Act authorizes insured savings institutions to offset against any assessment premiums their pro rata share of amounts that were previously part of the FSLIC's "Secondary Reserve." The Secondary Reserve represented premium prepayments that insured savings institutions were required by law to deposit with the FSLIC during the period 1961 through 1973 to quickly increase the FSLIC's insurance reserves to absorb losses if the regular assessments were insufficient. The allowable offset is limited to a maximum of 20 percent of an institution's remaining pro rata share for any calendar year beginning before 1993. After calendar year 1992, there is no limitation on the remaining offset amount.

The FRF is also required to pay in cash (or reduce an outstanding indebtedness) the remaining portion of the savings institution's full pro rata distribution when the institution loses its insured status or goes into receivership. The FRF establishes a payable to that institution or its receiver with a corresponding charge to expense. As of December 31, 1991 and 1990, the Secondary Reserve payable, included in the line item "Accounts payable, accrued and other liabilities," was $47,818,560 and $1,068,988, respectively.

The remaining Secondary Reserve credit at December 31, 1991 and 1990, was $297,761,163 and $359,121,133, respectively. This amount will be reduced in future years by offsets against assessment premiums, forfeited amounts due to mergers and payments to savings institutions that lose their insured status.

## 12. Pension Benefits, Savings Plans and Accrued Annual Leave

**Pension Benefits and Savings Plans Expenses**

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| Civil Service Retirement System | $ 809 | $ 725 |
| Federal Employee Retirement System (Basic Benefit) | 2,822 | 2,659 |
| FDIC Savings Plan | 1,006 | 619 |
| Federal Thrift Savings Plan | 717 | 593 |
| | **$ 5,354** | **$ 4,596** |

Eligible FDIC employees (i.e., all permanent and temporary employees with an appointment exceeding one year) are covered by either the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS).

The CSRS is a defined benefit plan integrated with the Social Security system in certain cases. Plan benefits are determined on the basis of years of creditable service and compensation levels. The CSRS-covered employees can also participate in a federally sponsored tax-deferred savings plan available to provide additional retirement benefits. The FERS is a three-part plan consisting of a basic defined benefit plan which provides benefits based on years of creditable service and compensation levels, Social Security benefits and a tax-deferred savings plan. Further, automatic and matching employer contributions are provided up to specified amounts under the FERS. Eligible employees may participate in an FDIC-sponsored tax-deferred savings plan with matching contributions. The FRF pays the employer's portion of the related costs.

The liability to employees for accrued annual leave is approximately $4,785,000 and $4,829,000 at December 31, 1991 and 1990, respectively.

Although the FRF contributes a portion of pension benefits for eligible employees, it does not account for the assets of either retirement system, nor does it have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported and accounted for by the U.S. Office of Personnel Management.

### 13. FDIC Health, Dental and Life Insurance Plans for Retirees

**FDIC Health and Dental Plans**

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| Health premiums paid | $ 80 | $ 278 |
| Dental premiums paid | 4 | 23 |

The FDIC provides certain health, dental and life insurance coverage for its eligible retirees. Eligible retirees are those who have elected the FDIC's health and/or life insurance program and are entitled to an immediate annuity. The health insurance coverage is a comprehensive fee-for-service program underwritten by Blue Cross/Blue Shield of the National Capital Area, with hospital coverage and a major medical wraparound; the dental care is underwritten by Connecticut General Life Insurance Company. The FDIC makes the same contributions for retirees as those for active employees. The FDIC benefit programs are fully insured. Effective January 1, 1991, the funding mechanism was changed to a "minimum premium funding arrangement." Fixed costs and expenses for claims are paid as incurred. Premiums are deposited for claims incurred but not reported. The premiums are held by the FDIC.

The life insurance program is underwritten by Metropolitan Life Insurance Company. The program provides for basic coverage at no cost and allows converting optional coverages to direct-pay plans with Metropolitan Life. The FDIC does not make any contributions towards annuitants' basic life insurance coverage; this charge is built into rates for active employees.

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standard No. 106 (Employers' Accounting for Postretirement Benefits Other Than Pensions), which the FDIC is required to adopt by 1993. The standard requires companies to recognize postretirement benefits during the years employees are working and earning benefits for retirement. Resulting estimated expenses will be allocated to the FRF based on the relative degree to which expenses were incurred. Although the impact of the FDIC's adoption of the standard cannot reasonably be estimated at this time, the standard may increase reported administrative costs and expenses of the FRF.

## 14. Commitments

The FRF is currently sharing in the FDIC's lease of office space. The FRF's lease commitments for office space total $7,447,000 for future years. The agreements contain escalation clauses resulting in adjustments, usually on an annual basis. The FRF recognized leased space expense of approximately $8,725,000 and $14,821,000 for the years ended December 31, 1991 and 1990, respectively. The FRF's allocated share of leased space fees for future years, which are committed per contractual agreement, are as follows:

**Leased Fees**

Dollars in Thousands

| 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| $2,303 | $2,049 | $1,664 | $1,072 | $359 |

### 15. Concentration of Credit Risk

The FRF is counterparty to a group of financial instruments with entities located throughout regions of the United States that are experiencing significant problems in both loans and real estate. The FRF's maximum exposure to possible accounting loss should each counterparty to these instruments fail to perform and any underlying assets prove to be of no value is shown as follows:

**Concentration of Credit Risk**

| Dollars in Millions | December 31, 1991 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Southeast** | **Southwest** | **Northeast** | **Midwest** | **Central** | **West** | **Total** |
| Net receivables from thrift resolutions | $ 566 | $ 806 | $ 336 | $ 101 | $ 116 | $ 1,008 | $ 2,933 |
| Investment in corporate-owned assets | -0- | 564 | -0- | -0- | 23 | -0- | 587 |
| Assistance agreements covered assets (off-balance sheet) | 130 | 3,344 | 3 | 73 | 408 | 5,464 | 9,422 |
| **Total** | **$ 696** | **$ 4,714** | **$ 339** | **$ 174** | **$ 547** | **$ 6,472** | **$ 12,942** |

## 16. Supplementary Information Relating to the Statements of Cash Flows

**Reconciliation of Net Loss to Net Cash Used by Operating Activities**

| Dollars in Thousands | December 31 | |
|---|---|---|
| | **1991** | **1990** |
| Net (Loss) | $ (1,610,528) | $ (5,996,865) |
| | | |
| Adjustments to reconcile net loss to net cash used by operating activities: | | |
| Provision for losses | 1,669,366 | 4,311,682 |
| Decrease in assessments receivable | 28,748 | -0- |
| Decrease in other assets | 77,967 | 100,326 |
| (Decrease) in accounts payable, accrued and other liabilities | (6,953) | (7,933) |
| Net cash disbursed for thrift resolutions not affecting income | (7,732,848) | (3,678,009) |
| Accrual of assets and liabilities from thrift resolutions | (386,438) | 104,859 |
| | | |
| **Net cash used by operating activities** | **$ (7,960,686)** | **$ (5,165,940)** |

Non-cash financing activities for the year ended December 31, 1991, include: 1) canceled notes payable (NWCs) of $12,740,000; 2) canceled notes payable (ICCs) of $ 2,000,000; and 3) issued note payable of $158,670,000.

Non-cash financing activities for the year ended December 31, 1990 include: 1) canceled notes payable (NWCs) of $10,700,000; and 2) canceled notes payable (ICCs) of $18,000,000.

## 17. Subsequent Events

On September 25, 1990, the Boards of Directors of the FDIC and the RTC authorized the implementation of a program whereby the FSLIC assistance agreements and promissory notes could be terminated during the period of an institution's conservatorship, not just during the period of its final receivership. The program also provides that the assistance agreement settlement would be based on an Asset Valuation Review (AVR), giving consideration to the individual assistant agreement terms and adjusting for certain amounts paid and/or accrued from the effective date of the AVR to the termination date. Two institutions in RTC conservatorship (Cimmarron, Muskogee, Oklahoma and Merabank, El Paso, Texas) were terminated prior to December 31, 1991. The FRF's liability to the RTC conservatorships is currently estimated at between $330 and $345 million for note principal and $4 million for accrued interest on the notes.

Public Law #102-139, which was signed into law on October 28, 1991, appropriated $15.9 billion to the FRF for the fiscal year ending September 30, 1992. The FRF has requested appropriations of approximately $6.8 billion for FY 1993. The funds may be used to prepay notes payable, accelerate write-downs of covered assets, purchase covered assets and/or renegotiate assistance contracts to reduce projected costs to the FRF. As of March 31, 1992, $5.5 billion has been received from the U.S. Treasury. The remaining $10.4 billion, expected to be requested by September 1992, will be used to prepay notes, purchase covered assets, renegotiate assistance agreements and pay normal assistance agreements.

Through March 1992, $3.8 billion was expended for note prepayments and $3.2 billion for normal assistance payments, which includes note interest payments. No payments were recorded for accelerated write-downs of covered assets.

**Assessment Premiums**

On March 27, 1992, the FDIC's Legal Division rendered the opinion that, under FIRREA, assessments paid on SAIF-insured deposits by "Oakar" banks must be retained in the SAIF, and, thus, are not subject to draws by the FICO, the REFCORP or the FRF. As FIRREA became effective in August 1989, the financial statements for 1990 have been restated. The FRF received the assessments paid on SAIF-insured deposits in 1990 and 1991; therefore the effect of this restatement was to establish a payable to the SAIF and to reduce assessment revenue by $17 million for 1990. Additionally, in 1991, the payable to the SAIF was increased by $91 million. This payable represents $88 million in assessment revenue and $3 million in interest expense.

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

Comptroller General
of the United States

B-244576

To the Board of Directors
Federal Deposit Insurance Corporation

We have audited the accompanying statements of financial position of the FSLIC Resolution Fund[1] as of December 31, 1991 and 1990, and the related statements of income and accumulated deficit and statements of cash flows for the years then ended. These financial statements are the responsibility of the management of the Federal Deposit Insurance Corporation (FDIC), the Fund's administrator. Our responsibility is to express an opinion on these financial statements based on our audits. In addition, we are reporting on our consideration of FDIC's internal control structure and its compliance with laws and regulations as they relate to the Fund.

We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the Fund's statement of financial position as of December 31, 1991, and its statements of cash flows for the years ended December 31, 1991 and 1990, present fairly, in all material respects, the financial position of

[1]The FSLIC Resolution Fund (Fund) was established on August 9, 1989, by section 215 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) to manage the assets and pay the debts, obligations, contracts, and other liabilities resulting from thrift resolution actions initiated by the former Federal Savings and Loan Insurance Corporation (FSLIC).

the FSLIC Resolution Fund and its cash flows for the periods then ended in conformity with generally accepted accounting principles.

In our previous report,[2] we did not express an opinion on the Fund's statement of financial position as of December 31, 1990, or its statement of income and accumulated deficit for the year then ended, largely due to the potential material effect of economic factors on the Fund's estimated payments under its assistance agreements and on the Fund's estimated recoveries from its sale of receivership and corporate owned assets. These factors, which were beyond FDIC's control, included the instabilities in local real estate markets and fluctuations in future interest rates. In addition, the Fund's estimated assistance payments did not reflect the potential impact of using appropriated funds to achieve cost savings under the assistance agreements.

While the above factors will continue to influence the Fund's future assistance payments and asset recoveries, we believe the effects of the factors were more determinable and supported by historical data at the end of 1991, enabling more reasonable estimates by FDIC. In addition, over the past 3 years, FDIC has made significant improvements in its procedures for estimating the Fund's future assistance payments, increasing the reliability of this estimate. Furthermore, the Fund's exposure to material losses should its estimated assistance payments or estimated asset recoveries prove inaccurate has significantly decreased.

The Fund's 1991 statement of income and accumulated deficit includes $1.7 billion in losses as a result of increases in the estimated liability accounts and allowance for loss accounts included in the Fund's statement of financial position from 1990 to 1991. These losses are largely attributable to an increase in the Fund's estimated assistance payments and a decrease in the Fund's estimated recoveries on receivership and corporate owned assets since the end of 1990.[3] In our 1990 report, we questioned the reliability of using 1989 asset recovery rates in calculating receivership asset recovery values at December 31, 1990. We were unable to examine sufficient evidence to determine the reliability of these values at December 31, 1990, or whether a portion of the 1991 changes in allowance for loss accounts should have been recorded in 1990. Because of this limitation on the scope of our work,

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[2]Financial Audit: FSLIC Resolution Fund's 1990 and 1989 Financial Statements (GAO/AFMD-92-22, December 17, 1991).

[3]The Fund's total estimated liability for assistance agreements decreased from 1990 to 1991 due to assistance payments made during 1991. See footnote 9 to the financial statements for an analysis of the changes in the Fund's allowance for losses and estimated liabilities.

we are not expressing an opinion on the Fund's statement of financial position as of December 31, 1990, and statements of income and accumulated deficit for the years ended December 31, 1991 and 1990.

Although we believe the Fund's estimated future assistance payments and its estimated recoveries from asset sales are reasonable as of December 31, 1991, uncertainties still exist regarding general economic conditions, especially in regard to real estate markets and interest rates. These factors may ultimately result in assistance payments and asset recoveries different from those the Fund has estimated as of December 31, 1991. In addition, the use of appropriations to achieve cost savings under the Fund's assistance agreements will also affect future assistance payments.

## UNCERTAINTIES AFFECT FUTURE ASSISTANCE PAYMENTS

FSLIC entered into assistance agreements to facilitate the merger, acquisition, or stabilization of insolvent thrifts. Under FIRREA, the FSLIC Resolution Fund is responsible for making all payments required by these assistance agreements. In January 1991, FDIC transferred management and oversight responsibility for the assistance agreements to the Resolution Trust Corporation (RTC). FDIC continues to perform the accounting function for these agreements.

The larger assistance agreements generally provided assisted thrifts with the following three main types of assistance.[4]

-- Negative net worth coverage was generally provided in the form of interest-bearing notes equal to the acquired thrifts' negative equity at the date of the assistance agreement.

-- Capital loss coverage guarantees the recorded values (usually historical cost) of poor-quality assets taken over by the assisted thrift. Under this coverage, assisted thrifts are compensated for the difference when they sell a covered asset for less than its guaranteed value.

-- Yield maintenance coverage guarantees the financial performance of the covered assets. This coverage guarantees that each agreement's covered assets will collectively yield a specified rate which varies in accordance with the terms of the agreement and with market conditions. If covered assets do not generate the amount of income specified by the agreement, the Fund pays the assisted thrift the difference.

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[4]See Thrift Resolutions: Estimated Costs of FSLIC's 1988 and 1989 Assistance Agreements Subject to Change (GAO/AFMD-90-81, September 13, 1990) for a more detailed discussion of these and other assistance agreement provisions.

As of December 31, 1991, RTC estimated that the Fund would pay more than $8 billion over the remaining life of the assistance agreements (7 years for the larger agreements) largely as a result of the capital loss and yield maintenance guarantees.[5] To estimate future capital loss and yield maintenance assistance payments, RTC makes assumptions with regard to losses resulting from covered asset dispositions, the timing of these asset dispositions, and future interest rates. RTC revises its estimates four times a year based on changes in the above assumptions and historical experience.

Although RTC has produced its future assistance payment estimates from the best available information, these payments remain subject to (1) instabilities in local real estate markets, which in part will be affected by RTC's discounting policy, (2) interest rate fluctuations, and (3) RTC's future use of appropriated funds to achieve additional cost savings under these agreements.

Uncertainties in Real Estate Markets

Continued uncertainties surrounding economic conditions and the over-built real estate markets affect estimated recovery values on the assets covered by the agreements. The aggregate covered asset pool for all agreements was about $14 billion as of December 31, 1991, over 88 percent of which was real estate related. Projected capital loss payments, which comprised about 52 percent of the Fund's total December 31, 1991, estimated liability for assistance agreements, were based on appraisals of covered assets. However, appraisals, which generally estimate value based on recent sales of similar assets, might not reliably indicate future values because local real estate markets could significantly change prior to asset disposition. RTC, FDIC, and other public and private sector entities currently are holding a large portfolio of troubled assets, including large amounts of real estate related assets. Nonetheless, over the past year, local real estate markets were able to absorb over $2 billion in assisted thrifts' real estate assets covered by the agreements. In addition, RTC sold about $7 billion in similar assets from failed thrifts through December 31, 1991. As more experience is gained

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[5]This estimate, which is reported in the financial statement line item "Estimated Liability for Assistance Agreements" at its present value of $7.4 billion, also includes less significant amounts for reimbursable goodwill on assets acquired under the agreements but not covered by capital loss and yield maintenance provisions, and legal indemnifications provided for under the agreements. Future negative net worth note payments are not included in this estimated liability because these note payments have already been determined based on the notes' terms. The Fund presents its future note payments determined but not yet paid as a component of the financial statement line item "Liabilities Incurred From Thrift Resolutions."

through sales of troubled assets and local markets stabilize, estimated capital loss payments should be more precise.

A factor that may help reduce uncertainty in local real estate markets, due to competing governmental agencies holding large amounts of real estate related assets, is the adoption of RTC's discounting policy for marketing real estate assets covered by the assistance agreements. In July 1991, RTC adopted its policy that enables the real estate assets covered by assistance agreements to be marketed at the more deeply discounted prices that RTC uses to dispose of assets acquired from failed thrifts. Consequently, where this marketing strategy is used by both assisted thrifts and for sales of similar assets from failed thrifts, the assisted thrifts should be able to market these assets without a competitive disadvantage regarding sales prices, which may help reduce uncertainty in local markets.

RTC also modified its estimation procedures to reflect this discounting policy strategy. Prior estimates of capital losses were calculated based on 100 percent of the assets' appraisal values without regard to expected disposition dates. This new policy calculates capital loss for real estate assets using asset values discounted from 20 percent to 50 percent. The discounts are dependent on expected asset disposition dates. While marketing of covered assets may be facilitated by RTC's discounting policy, its implementation adds to the complexity of estimating future capital losses. However, depending on the accuracy of estimated asset disposition dates and the extent to which this policy is used, it may result in more reliable estimates.

While the Fund's future capital loss payments are subject to uncertainties, the Fund's exposure to additional capital losses beyond what it has already recognized as of December 31, 1991, has significantly decreased over the past 2 years. Specifically, the Fund's remaining exposure to additional capital losses has decreased from $24.6 billion at the end of 1989 to $9.4 billion at the end of 1991. Market conditions will also affect the amount of yield maintenance payments, which comprised about 25 percent of the Fund's total December 31, 1991, estimated liability for assistance agreements. For example, when market conditions result in increased rental income, yield maintenance payments are reduced. This is because such income offsets the amount the Fund must pay to meet the assisted thrifts' guaranteed yield. Similarly, real estate market conditions that decrease rental income would increase the level of assistance payments.

Uncertain Impact of Future Interest Rate Fluctuations

Uncertainties in future interest rates affect the reliability of projected yield maintenance payments. Even small fluctuations of from 0.5 percent to 1.0 percent in interest rates would produce changes of from $70 million to $140 million, respectively, per year in yield maintenance payments, based on the Fund's December 31, 1991, guaranteed value of the covered asset pool. RTC's projection of future assistance payments decreased over the past year, in part, because relevant interest rates dropped by .86 percent to 3.25 percent. These rates decreased steadily from October 31, 1990, through December 31, 1991.

Effect of Cost Saving Measures Uncertain

RTC is responsible for actively reviewing all means by which it can reduce costs under the assistance agreements. To carry out this responsibility, RTC developed a plan to prepay notes, renegotiate large assistance agreements, buy out small agreements, write down guaranteed asset values, and offer selected pools of covered assets to other private sector asset managers under long-term repurchase agreements. The successful implementation of RTC's plan would reduce assistance agreement payments.

For example, prepaying notes would save interest costs because the interest rate on federal borrowing would typically be lower than the rate on the notes over the term of the agreements. Renegotiating the agreements would result in savings if lower yield maintenance and capital loss coverage are negotiated in return for the Fund's equity interests in the assisted thrifts. Buying out assistance agreements would eliminate all future payments and would result in savings if the government's costs of borrowing the cash needed for the buyouts were less than the estimated payments that would be eliminated. Writing down covered assets to their fair market value would reduce the amount of future yield maintenance assistance since this assistance is based on the assets' guaranteed value. Offering selected pools of covered assets to other private sector asset managers would result in savings if payments under such repurchase agreements were lower than payments projected for the current assistance agreements.

As of March 31, 1992, RTC has used a total of $23.4 billion in appropriated funds to execute cost saving actions, which RTC estimates will achieve cost savings of $1.2 billion on a present value basis.[6] The majority of the estimated

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[6]This cost-savings estimate of $1.2 billion takes into account government borrowing costs and thus reflects the potential cost savings for the government as a whole. We will be reporting the details of RTC's cost saving actions in a separate report on the FSLIC 1988 and 1989 assistance agreement costs, to be issued later this year.

savings is attributable to interest cost savings as a result of prepaying negative net worth notes, which does not affect the Fund's estimated future assistance payments--capital loss and yield maintenance payments. However, as of March 31, 1992, FDIC estimated that about $9.5 billion of the Fund's fiscal year 1992 appropriation remained available for additional cost-saving actions.[7] RTC plans more renegotiations and covered asset write-downs to reduce future capital loss and yield maintenance payments. The Fund expects to receive a fiscal year 1993 appropriation of $6.8 billion, a portion of which may be available to further reduce assistance agreement costs.

### Improvements in Estimating Future Assistance Payments

In the last 3 years, FDIC and RTC have made significant improvements in formalizing their policies, procedures, and systems that are used to estimate the Fund's future assistance payments. Since the end of 1989, FDIC and RTC have developed written guidelines for preparing and reviewing estimates of future assistance payments. These written guidelines, which were enhanced during 1991, help ensure consistency in this estimation process. In addition, during 1990, FDIC implemented an automated system to track assistance payments by assistance agreement and assistance payment type. This system readily provides historical information, on both actual and estimated assistance payments, for RTC to use in estimating future payments. While the uncertainties surrounding these estimates make it difficult to precisely predict actual future assistance payments, FDIC's and RTC's improvements to their estimating procedures, coupled with the experience gained over the last 3 years in preparing these estimates, increase the reliability of the Fund's estimated liability for assistance agreements as of December 31, 1991.

## UNCERTAINTIES AFFECT ULTIMATE RECOVERIES FROM ASSETS IN RECEIVERSHIP AND OWNED BY THE FUND

As part of its resolution activities, FSLIC placed failed thrifts into receivership and paid out funds required to settle depositors' claims. However, FDIC expects to recover some portion of these paid claims by managing and selling the failed thrifts' assets that remain in receivership. As of December 31, 1991, the Fund's claim against receiverships totaled about $11.9 billion. Receivership assets associated with those claims totaled about $7 billion, and FDIC estimated it would recover only $2 billion from these assets. In addition, the Fund has about $3.6 billion in assets that were purchased to improve the marketability

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[7]As of March 31, 1992, a total of $10.4 billion of the Fund's fiscal year 1992 appropriation remained available. FDIC expects to use a portion of this amount to pay current obligations and administrative costs.

(and, thus facilitate the sale) of certain troubled thrifts and to terminate receiverships. These assets are commonly referred to as corporate owned assets. As of December 31, 1991, FDIC estimated the Fund would recover approximately $600 million from the management and liquidation of its corporate owned assets.

FDIC records the amounts FSLIC paid to close failed thrifts as a receivable from thrift resolutions and records the amounts FSLIC paid to purchase assets from troubled or failed thrifts as an investment in corporate owned assets. FDIC establishes an allowance for loss against the receivable and investment, which represents the difference between amounts paid and the expected repayment. The expected repayment is based on the estimated recoveries from the sale of the receivership and corporate owned assets, net of all estimated liquidation costs. At December 31, 1991, the allowance for losses for the Fund's receivable from thrift resolutions and investment in corporate owned assets were about $9.9 billion, and $3 billion, respectively.

For assets in liquidation, FDIC maintains a management information system which provides information on estimated recoveries from the assets' management and sale. These estimated recoveries are used to derive the allowance for losses. Because of material internal control weaknesses we identified in this system, we designed alternative audit procedures to test the reasonableness of the allowance for losses reported on the Fund's financial statements. These procedures, which consisted of analyzing FDIC's collection experience on assets in liquidation to assess the reasonableness of the estimated recoveries on the Fund's existing asset inventory, provided us with reasonable assurance that the Fund's net receivable from thrift resolutions and its net investment in corporate owned assets reported on the Fund's financial statements were fairly stated.

Even though FDIC has assumed that the Fund's receivership and corporate owned assets will sell for considerably less than their book value, any worsening of the economy or real estate markets could result in recoveries even lower than currently anticipated. While the Fund's recoveries from asset sales remain subject to economic uncertainties, the Fund's exposure to further losses should its receivership and corporate owned assets prove worthless is only $2.6 billion, significantly less than its exposure of

$6.8 billion at the end of 1989. This decrease is primarily attributable to sales and increasing loss allowances on the remaining assets. The Fund's exposure to additional asset losses will continue to decrease as the Fund's inventory of assets decreases.

Charles A. Bowsher
Comptroller General
of the United States

May 11, 1992

Allen C. Shuler

## *Statistics*

Soon after taking office, Chairman Taylor visited several FDIC regional offices to exchange ideas and meet with employees, including the liquidation staff in Orlando, Florida.

# Statistics

The following tables are included in the 1991 FDIC Annual Report:

**Table A (formerly Table 122)**

Number and Deposits of Banks Closed Because of Financial Difficulties, 1934-1991

**Table B (formerly Table 123)**

Insured Banks Requiring Disbursements by the Bank Insurance Fund During 1991

**Table C (formerly Table125)**

Recoveries and Losses by the Bank Insurance Fund on Disbursements for Protection of Depositors, 1934-1991

**Table D (formerly Table127)**

Income and Expenses, Bank Insurance Fund, by Year, from Beginning of Operations, September 11, 1933, to December 31, 1991

**Table E (formerly Table 129)**

Insured Deposits and the Bank Insurance Fund, 1934-1991

## Deposit Insurance Disbursements

Disbursements by the Federal Deposit Insurance Corporation to protect depositors are made when the insured depositors of failed banks are paid off or when the deposits of a failed or failing bank are assumed by another insured bank with the financial aid of the FDIC.

In deposit payoff cases, the disbursement is the amount paid by the FDIC on insured deposits. In the insured deposit transfer, an alternative to a direct deposit payoff, the FDIC transfers the failed bank's insured and secured deposits to another bank while uninsured depositors must share with the FDIC and other general creditors of the bank in any proceeds realized from liquidation of the failed bank's assets. In certain deposit payoffs, the FDIC may determine that an advance of funds to uninsured depositors and other creditors of a failed bank is warranted.

In deposit assumption cases, the principal disbursement is the amount paid to facilitate a purchase and assumption transaction with another insured bank. Additional disbursements are made in those cases as advances for protection of assets in process of liquidation and for liquidation expenses. The FDIC also may purchase assets or guarantee an insured bank against loss by reason of its assuming the liabilities and purchasing the assets of an open or closed insured bank. Under its Section 13(c) authority to provide financial assistance to open institutions, the FDIC made a cash disbursement in 1991 to one operating bank.

## Sources of Data on Bank Failures

Data in the following tables regarding insured bank failures are obtained from the books of specific banks at date of closing and the books of the FDIC, December 31, 1991. ❖

Dollars In Thousands

| Year | Number of Insured Banks | | | Deposits of Insured Banks | | | Assets |
|---|---|---|---|---|---|---|---|
| | Total | Without disbursements by FDIC[2] | With disbursements by FDIC[3] | Total | Without disbursements by FDIC[2] | With disbursements by FDIC[3] | |
| **Total** | **1,895** | ... | **1,887** | **$ 166,383,440** | **$ 41,147** | **$ 166,342,293** | **$ 202,497,383** |
| 1991[4] | 124 | ... | 124 | 53,751,763 | ... | 53,751,763 | 63,119,870[5] |
| 1990[4] | 168 | ... | 168 | 14,473,300 | ... | 14,473,300 | 15,660,800 |
| 1989[4] | 206 | ... | 206 | 24,090,551 | ... | 24,090,551 | 29,168,596 |
| 1988[4] | 200 | ... | 200 | 24,931,302 | ... | 24,931,302 | 35,697,789 |
| 1987[4] | 184 | ... | 184 | 6,281,500 | ... | 6,281,500 | 6,850,700 |
| 1986[4] | 138 | ... | 138 | 6,471,100 | ... | 6,471,100 | 6,991,600 |
| 1985[6] | 120 | ... | 120 | 8,059,441 | ... | 8,059,441 | 8,741,268 |
| 1984 | 79 | ... | 79 | 2,883,162 | ... | 2,883,162 | 3,276,411 |
| 1983 | 48 | ... | 48 | 5,441,608 | ... | 5,441,608 | 7,026,923 |
| 1982 | 42 | ... | 42 | 9,908,379 | ... | 9,908,379 | 11,632,415 |
| 1981 | 10 | ... | 10 | 3,826,022 | ... | 3,826,022 | 4,859,060 |
| 1980 | 10 | ... | 10 | 216,300 | ... | 216,300 | 236,164 |
| 1979 | 10 | ... | 10 | 110,696 | ... | 110,696 | 132,988 |
| 1978 | 7 | ... | 7 | 854,154 | ... | 854,154 | 994,035 |
| 1977 | 6 | ... | 6 | 205,208 | ... | 205,208 | 232,612 |
| 1976 | 16 | ... | 16 | 864,859 | ... | 864,859 | 1,039,293 |
| 1975 | 13 | ... | 13 | 339,574 | ... | 339,574 | 419,950 |
| 1974 | 4 | ... | 4 | 1,575,832 | ... | 1,575,832 | 3,822,596 |
| 1973 | 6 | ... | 6 | 971,296 | ... | 971,296 | 1,309,675 |
| 1972 | 1 | ... | 1 | 20,480 | ... | 20,480 | 22,054 |
| 1971 | 6 | ... | 6 | 132,058 | ... | 132,058 | 196,520 |
| 1970 | 7 | ... | 7 | 54,806 | ... | 54,806 | 62,147 |
| 1969 | 9 | ... | 9 | 40,134 | ... | 40,134 | 43,572 |
| 1968 | 3 | ... | 3 | 22,524 | ... | 22,524 | 25,154 |
| 1967 | 4 | ... | 4 | 10,878 | ... | 10,878 | 11,993 |
| 1966 | 7 | ... | 7 | 103,523 | ... | 103,523 | 120,647 |
| 1965 | 5 | ... | 5 | 43,861 | ... | 43,861 | 58,750 |
| 1964 | 7 | ... | 7 | 23,438 | ... | 23,438 | 25,849 |
| 1963 | 2 | ... | 2 | 23,444 | ... | 23,444 | 26,179 |
| 1962 | 1 | 1 | ... | 3,011 | 3,011 | ... | ...[7] |
| 1961 | 5 | ... | 5 | 8,936 | ... | 8,936 | 9,820 |
| 1960 | 1 | ... | 1 | 6,930 | ... | 6,930 | 7,506 |
| 1959 | 3 | ... | 3 | 2,593 | ... | 2,593 | ... |
| 1958 | 4 | ... | 4 | 8,240 | ... | 8,240 | 8,905 |
| 1957 | 2 | 1 | 1 | 11,247 | 10,084 | 1,163 | 1,253 |
| 1956 | 2 | ... | 2 | 11,330 | ... | 11,330 | 12,914 |
| 1955 | 5 | ... | 5 | 11,953 | ... | 11,953 | 11,985 |
| 1954 | 2 | ... | 2 | 998 | ... | 998 | 1,138 |
| 1953 | 4 | 2 | 2 | 44,711 | 26,449 | 18,262 | 18,811 |
| 1952 | 3 | ... | 3 | 3,170 | ... | 3,170 | 2,388 |
| 1951 | 2 | ... | 2 | 3,408 | ... | 3,408 | 3,050 |
| 1950 | 4 | ... | 4 | 5,513 | ... | 5,513 | 4,005 |
| 1949 | 5 | 1 | 4 | 6,665 | 1,190 | 5,475 | 4,886 |
| 1948 | 3 | ... | 3 | 10,674 | ... | 10,674 | 10,360 |
| 1947 | 5 | ... | 5 | 7,040 | ... | 7,040 | 6,798 |
| 1946 | 1 | ... | 1 | 347 | ... | 347 | 351 |
| 1945 | 1 | ... | 1 | 5,695 | ... | 5,695 | 6,392 |
| 1944 | 2 | ... | 2 | 1,915 | ... | 1,915 | 2,098 |
| 1943 | 5 | ... | 5 | 12,525 | ... | 12,525 | 14,058 |
| 1942 | 20 | ... | 20 | 19,185 | ... | 19,185 | 22,254 |
| 1941 | 15 | ... | 15 | 29,717 | ... | 29,717 | 34,804 |
| 1940 | 43 | ... | 43 | 142,430 | ... | 142,430 | 161,898 |
| 1939 | 60 | ... | 60 | 157,772 | ... | 157,772 | 181,514 |
| 1938 | 74 | ... | 74 | 59,684 | ... | 59,684 | 69,513 |
| 1937 | 77 | 2 | 75 | 33,677 | 328 | 33,349 | 40,370 |
| 1936 | 69 | ... | 69 | 27,508 | ... | 27,508 | 31,941 |
| 1935 | 26 | 1 | 25 | 13,405 | 85 | 13,320 | 17,242 |
| 1934 | 9 | ... | 9 | 1,968 | ... | 1,968 | 2,661 |

[1]The Table no longer reflects data on uninsured banks because of the difficulty of compiling complete information on such banks.
[2]For information regarding these cases, see Table 23 of the Annual Report for 1963.
[3]For information regarding each bank, see the 1958 Annual Report (pages 48-83, 98-127) and tables regarding disbursements in subsequent annual reports.
[4]Excludes data for banks granted financial assistance under Section 13(c)(1) of the Federal Deposit Insurance Act to prevent failure. Data for these banks are included in Table B of the 1991 Annual Report and Table 123 of the 1986-1990 Annual Reports.
[5]Twelve banks with assets of $1.0 billion or more represent 80 percent of total assets ($50.6 billion) and 78 percent of total deposits ($41.8 billion).
[6]Includes data for one bank granted financial assistance although no disbursement was required until January 1986.
[7]Not available.

## Table B (formerly Table 123)
## Insured Banks Requiring Disbursements by the Bank Insurance Fund During 1991

Dollars In Thousands

| Name and Location | Class of Bank | Number of Deposit Accounts | Total Assets | Total Deposits | FDIC Disbursements | Date of Closing, Deposit Assumption, Merger, or Assistance | Receiver, Assuming Bank, Transferee Bank or Merging Bank and Location |
|---|---|---|---|---|---|---|---|
| **Insured Deposit Payoffs** | | | | | | | |
| Sabinal Bank<br>Sabinal, Texas | NM | 3,100 | $ 21,328 | $ 21,706 | $ 17,092 | March 21, 1991 | Federal Deposit Insurance Corporation |
| Landmark Thrift and Loan Association<br>San Diego, California | NM | 716 | 14,043 | 12,572 | 12,611 | July 12, 1991 | Federal Deposit Insurance Corporation |
| Southcoast Bank Corporation<br>West Palm Beach, Florida | NM | 1,908 | 27,191 | 27,170 | 26,900 | August 9, 1991 | Federal Deposit Insurance Corporation |
| Private Bank & Trust, N.A.<br>Coral Gables, Florida | N | 326 | 3,723 | 0 | 1 | October 29, 1991 | Federal Deposit Insurance Corporation |
| **Insured Deposit Transfers** | | | | | | | |
| American Bank, N.A.<br>Rio Rancho, New Mexico | N | 1,900 | 15,595 | 17,831 | 16,958 | January 22, 1991 | United New Mexico Bank at Albuquerque<br>Albuquerque, New Mexico |
| Blackstone Bank and Trust Company<br>Boston, Massachusetts | NM | 2,500 | 56,381 | 49,794 | 53,758 | March 15, 1991 | BayBank Boston, N.A.<br>Boston, Massachusetts |
| Citizens National Bank<br>Limon, Colorado | N | 1,800 | 8,782 | 8,087 | 6,011 | March 29, 1991 | The First National Bank of Limon<br>Limon, Colorado |
| Whitney Bank and Trust<br>Hamden, Connecticut | NM | 2,200 | 42,814 | 42,900 | 41,361 | April 12, 1991 | First Constitution Bank<br>New Haven, Connecticut |
| Boston Trade Bank<br>Boston, Massachusetts | NM | 8,100 | 347,116 | 328,883 | 263,723 | May 3, 1991 | First National Bank of Boston<br>Boston, Massachusetts |
| Village Green National Bank<br>Jersey Village, Texas | N | 3,200 | 27,971 | 32,812 | 19,306 | May 9, 1991 | Bank of America Texas, N.A.<br>Houston, Texas |
| The Washington Bank (of Maryland)<br>Baltimore, Maryland | SM | 2,100 | 37,990 | 35,395 | 34,967 | May 10, 1991 | The First National Bank of Maryland<br>Baltimore, Maryland |
| First Security Bank<br>Roanoke, Virginia | SM | 1,600 | 15,958 | 14,996 | 12,438 | May 24, 1991 | First Century Bank<br>Roanoke, Virginia |
| University Bank, N.A.<br>Newton, Massachusetts | N | 18,116 | 306,302 | 316,567 | 283,497 | May 31, 1991 | Sterling Bank<br>Waltham, Massachusetts |
| Enfield National Bank<br>Enfield, Connecticut | N | 3,800 | 17,943 | 18,223 | 16,468 | August 16, 1991 | Savings Institute<br>Willimantic, Connecticut |
| Mid-Jersey National Bank<br>Somerville, New Jersey | N | 2,700 | 29,094 | 29,602 | 27,604 | September 20, 1991 | United Jersey Bank/Central, N.A.<br>West Windsor Township, New Jersey |
| Mission Valley Bank, N.A.<br>San Clemente, California | N | 2,300 | 40,082 | 40,904 | 38,702 | October 18, 1991 | Mid City Bank, N.A.<br>Los Angeles, California |
| Community National Bank & Trust Company of New York<br>New York, New York | N | 47,400 | 338,365 | 321,765 | 287,317 | November 8, 1991 | Chemical Bank<br>New York, New York |
| Worthington State Bank<br>Worthington, Indiana | NM | 3,700 | 36,554 | 34,427 | 30,368 | November 14, 1991 | First Farmers State Bank<br>Sullivan, Indiana |
| First National Bank of Miami<br>Miami, Florida | N | 3,000 | 30,737 | 30,928 | 26,867 | November 26, 1991 | Ready State Bank<br>Hialeah, Florida |
| Granite Co-Operative Bank<br>Quincy, Massachusetts | SB | 14,100 | 99,246 | 84,330 | 85,737 | December 12, 1991 | South Boston Savings Bank<br>Boston, Massachusetts |
| Federal Finance & Mortgage, LTD<br>Honolulu, Hawaii | NM | 300 | 9,323 | 8,436 | 8,027 | December 13, 1991 | First Hawaiian Creditcorp, Inc.<br>Honolulu, Hawaii |
| **Deposit Assumptions** | | | | | | | |
| Bank of New England, N.A.<br>Boston, Massachusetts | N | 980,600 | 13,644,745 | 11,322,182 | 2,230,965 | January 6, 1991 | New Bank of New England, N.A.<br>Boston, Massachusetts |
| Connecticut Bank & Trust Company, N.A.<br>Hartford, Connecticut | N | 607,537 | 7,077,251 | 6,798,224 | 2,418,249 | January 6, 1991 | New Connecticut Bank & Trust Company, N.A.<br>Hartford, Connecticut |
| Maine National Bank<br>Portland, Maine | N | 167,688 | 1,032,005 | 949,926 | 225,061 | January 6, 1991 | New Maine National Bank<br>Portland, Maine |
| Community National Bank<br>Glastonbury, Connecticut | N | 16,100 | 96,844 | 92,241 | 80,421 | January 11, 1991 | Fleet Bank of Connecticut<br>Hartford, Connecticut |
| Metropolitan National Bank<br>Farmers Branch, Texas | N | 14,800 | 89,417 | 91,383 | 72,167 | January 24, 1991 | Comerica Bank-Texas<br>Dallas, Texas |
| Alvarado Bank<br>Richmond, California | NM | 3,300 | 30,516 | 33,992 | 7,536 | January 25, 1991 | Pacific Bay Bank<br>Richmond, California |
| Citizens National Bank and Trust Company of Chicago<br>Chicago, Illinois | N | 6,700 | 17,743 | 21,686 | 13,101 | January 29, 1991 | First Bank of Oak Park<br>Oak Park, Illinois |
| Bank of the Hills<br>Austin, Texas | NM | 47,400 | 264,850 | 257,509 | 152,060 | January 29, 1991 | Team Bank<br>Ft. Worth, Texas |
| Rockport Bank, N.A.<br>Rockport, Texas | N | 2,600 | 17,638 | 20,287 | 13,206 | January 31, 1991 | The Bank of Corpus Christi<br>Corpus Christi, Texas |
| The Merchants Bank and Trust Company<br>Norwalk, Connecticut | NM | 18,900 | 288,707 | 277,791 | 239,903 | February 1, 1991 | Union Trust Company<br>Stamford, Connecticut |
| Maine Savings Bank<br>Portland, Maine | SB | 186,600 | 1,208,071 | 1,143,684 | 289,604 | February 1, 1991 | Fleet Bank of Maine<br>Portland, Maine |

Codes for Class of Bank: SM-State-chartered bank that is a member of the Federal Reserve System. NM-State-chartered bank that is not a member of the Federal Reserve System. N-National bank. SB-Savings bank.

Dollars In Thousands

| Name and Location | Class of Bank | Number of Deposit Accounts | Total Assets | Total Deposits | FDIC Disbursements | Date of Closing, Deposit Assumption, Merger, or Assistance | Receiver, Assuming Bank, Transferee Bank or Merging Bank and Location |
|---|---|---|---|---|---|---|---|
| **Deposit Assumptions (Continued)** | | | | | | | |
| Lockhart State Bank<br>Lockhart, Texas | NM | 5,600 | $ 24,501 | $ 25,934 | $ 9,169 | February 7, 1991 | Omnibank, N.A.<br>Houston, Texas |
| First National Bank in Kaufman<br>Kaufman, Texas | N | 5,000 | 20,203 | 20,764 | 12,927 | February 7, 1991 | The Farmers & Merchants National Bank<br>Kaufman, Texas |
| Merchants Trust & Savings Bank<br>Kenner, Louisiana | NM | 8,100 | 42,109 | 43,653 | 16,071 | February 14, 1991 | First American Bank and Trust<br>Vacherie, Louisiana |
| The First National Bank of Wortham<br>Wortham, Texas | N | 1,800 | 7,802 | 7,992 | 5,234 | February 14, 1991 | Farmers State Bank<br>Groesbeck, Texas |
| Southwest National Bank<br>Albuquerque, New Mexico | N | 1,600 | 36,167 | 35,831 | 6,283 | February 21, 1991 | The Bank of New Mexico<br>Springer, New Mexico |
| The McKinley Bank<br>Niles, Ohio | NM | 9,700 | 63,504 | 65,553 | 52,520 | February 22, 1991 | The Dollar Savings & Trust Company<br>Youngstown, Ohio |
| United Citizens Bank, N.A.<br>College Station, Texas | N | 14,300 | 40,290 | 52,975 | 12,249 | February 28, 1991 | First American Bank<br>Bryan, Texas |
| SeaFirst Bank<br>Port St. Lucie, Florida | SM | 1,900 | 11,092 | 11,866 | 2,361 | March 8, 1991 | Riverside National Bank of Florida<br>Fort Pierce, Florida |
| First Marine Bank of Florida<br>Palm City, Florida | SM | 3,100 | 16,982 | 16,525 | 4,611 | March 8, 1991 | 1st United Bank<br>Boca Raton, Florida |
| Manilabank California<br>Los Angeles, California | NM | 800 | 19,265 | 19,249 | 14,401 | March 8, 1991 | UST California, N.A.<br>Los Angeles, California |
| Crossroads Bank<br>Victoria, Texas | NM | 7,000 | 21,908 | 23,111 | 5,749 | March 14, 1991 | Victoria Bank & Trust Company<br>Victoria, Texas |
| Coolidge Corner Co-operative Bank<br>Brookline, Massachusetts | SB | 6,500 | 81,514 | 83,032 | 69,142 | March 14, 1991 | Brookline Savings Bank<br>Brookline, Massachusetts |
| Citadel Bank<br>Willis, Texas | NM | 5,300 | 20,871 | 21,762 | 9,123 | March 21, 1991 | Tomball National Bank<br>Tomball, Texas |
| The Landmark Bank<br>Hartford, Connecticut | NM | 58,500 | 214,569 | 212,147 | 195,441 | March 28, 1991 | People's Bank<br>Bridgeport, Connecticut |
| City Bank and Trust<br>Claremont, New Hampshire | NM | 6,500 | 119,305 | 119,548 | 111,202 | March 29, 1991 | First NH Bank<br>Concord, New Hampshire |
| First State Bank<br>Weimar, Texas | NM | 4,500 | 24,116 | 25,862 | 7,566 | April 4, 1991 | Hill Bank & Trust Company<br>Weimar, Texas |
| The Blueville Bank of Grafton<br>Grafton, West Virginia | SM | 12,900 | 46,701 | 46,903 | 5,818 | April 5, 1991 | The Empire National Bank of Clarksburg<br>Clarksburg, West Virginia |
| American Bank & Trust Company<br>Shreveport, Louisiana | NM | 3,700 | 48,568 | 60,977 | 12,510 | April 11, 1991 | Tri-State Bank and Trust<br>Haughton, Louisiana |
| Arizona Commerce Bank<br>Tucson, Arizona | NM | 5,000 | 79,619 | 79,218 | 55,955 | April 12, 1991 | Arizona Bank of Commerce<br>Tucson, Arizona |
| (Joint Purchasers) | | | | | | | Caliber Bank<br>Phoenix, Arizona |
| Community National Bank<br>Sherman, Texas | N | 4,500 | 14,208 | 17,890 | 9,513 | April 18, 1991 | American Bank of Sherman, N.A.<br>Sherman, Texas |
| Columbine Valley Bank and Trust<br>Jefferson County, Colorado | SM | 1,900 | 6,600 | 8,470 | 5,829 | April 26, 1991 | Vectra Bank<br>Denver, Colorado |
| Chireno State Bank<br>Chireno, Texas | NM | 2,200 | 12,412 | 12,336 | 1,539 | May 9, 1991 | The First State Bank<br>Gladewater, Texas |
| Texas Bank and Trust of Temple<br>Temple, Texas | NM | 6,700 | 44,839 | 48,036 | 25,614 | May 9, 1991 | The Peoples National Bank of Belton<br>Belton, Texas |
| The First National Bank of Poth<br>Poth, Texas | N | 2,500 | 18,506 | 18,981 | 5,482 | May 9, 1991 | Bank of Floresville<br>Floresville, Texas |
| Madison National Bank<br>Washington, D.C. | N | 46,000 | 513,908 | 373,653 | 489,995 | May 10, 1991 | Signet Bank, N.A.<br>Washington, D.C. |
| Madison National Bank of Virginia<br>McLean, Virginia | N | 18,100 | 174,347 | 154,533 | 129,645 | May 10, 1991 | Signet Bank - Virginia<br>Richmond, Virginia |
| First National Bank of Cedar Hill<br>Cedar Hill, Texas | N | 2,600 | 9,374 | 11,825 | 9,778 | May 16, 1991 | First State Bank<br>Blooming Grove, Texas |
| Capital Bank<br>Dallas, Texas | NM | 11,200 | 102,123 | 112,301 | 33,801 | May 16, 1991 | Bank One, Texas, N.A.<br>Dallas, Texas |
| First City Bank<br>New Orleans, Louisiana | NM | 3,200 | 51,748 | 56,734 | 14,017 | May 17, 1991 | First Bank and Trust<br>New Orleans, Louisiana |
| The Cosmopolitan National Bank of Chicago<br>Chicago, Illinois | N | 7,800 | 108,717 | 115,901 | 24,271 | May 17, 1991 | Cosmopolitan Bank and Trust Company<br>Chicago, Illinois |
| The First National Bank of Toms River<br>Toms River, New Jersey | N | 259,100 | 1,396,066 | 1,591,750 | 771,984 | May 22, 1991 | First Fidelity Bank, N.A.<br>Newark, New Jersey |
| Liberty National Bank<br>Lovington, New Mexico | N | 10,200 | 50,679 | 55,711 | 7,179 | May 23, 1991 | Western Commerce Bank<br>Carlsbad, New Mexico |
| Florida State Bank<br>Holiday, Florida | NM | 13,000 | 87,957 | 82,525 | 51,750 | May 24, 1991 | Orange Bank<br>Ocoee, Florida |
| Goldome<br>Buffalo, New York | SB | 765,530 | 9,185,575 | 6,531,760 | 1,958,061 | May 31, 1991 | Key Bank of Western New York, N.A.<br>Buffalo, New York |
| Northwest Bank, N.A.<br>San Antonio, Texas | N | 2,600 | 6,957 | 7,238 | 2,835 | June 6, 1991 | Valley-Hi National Bank of San Antonio<br>San Antonio, Texas |

# Table B (formerly Table 123)
## Insured Banks Requiring Disbursements by the Bank Insurance Fund During 1991

Dollars In Thousands

| Name and Location | Class of Bank | Number of Deposit Accounts | Total Assets | Total Deposits | FDIC Disbursements | Date of Closing, Deposit Assumption, Merger, or Assistance | Receiver, Assuming Bank, Transferee Bank or Merging Bank and Location |
|---|---|---|---|---|---|---|---|
| **Deposit Assumptions (Continued)** | | | | | | | |
| Woburn Five Cents Savings Bank<br>Woburn, Massachusetts | SB | 38,800 | $ 270,806 | $ 235,449 | $ 197,552 | June 7, 1991 | Sterling Bank<br>Waltham, Massachusetts |
| The Bank of Horton<br>Horton, Kansas | NM | 4,300 | 141,912 | 155,694 | 118,507 | June 13, 1991 | Kansas State Bank<br>Holton, Kansas |
| Peoples Bank<br>Hewitt, Texas | NM | 3,600 | 16,278 | 17,093 | 7,763 | June 13, 1991 | The National Bank of Gatesville<br>Gatesville, Texas |
| Tascosa National Bank of Amarillo<br>Amarillo, Texas | N | 12,400 | 69,915 | 88,558 | 38,450 | June 13, 1991 | Team Bank<br>Ft. Worth, Texas |
| Texas Premier Bank of Victoria, N.A.<br>Victoria, Texas | N | 2,200 | 9,351 | 12,881 | 2,277 | June 13, 1991 | Victoria Bank and Trust Company<br>Victoria, Texas |
| Beacon Co-operative Bank<br>Boston, Massachusetts | SB | 2,700 | 31,252 | 30,090 | 17,488 | June 21, 1991 | Grove Bank<br>Boston, Massachusetts |
| First Mutual Bank for Savings<br>Boston, Massachusetts | SB | 129,600 | 1,232,268 | 1,063,852 | 857,607 | June 28, 1991 | First National Bank of Boston<br>Boston, Massachusetts |
| Dripping Springs National Bank<br>Dripping Springs, Texas | N | 4,300 | 18,571 | 21, 633 | 4,921 | July 12, 1991 | Texas Bank<br>Odessa, Texas |
| Community Guardian Bank<br>Elmwood Park, New Jersey | NM | 11,200 | 58,267 | 57,927 | 18,695 | July 19, 1991 | Interchange State Bank<br>Saddle Brook, New Jersey |
| Pontchartrain State Bank<br>Metairie, Louisiana | NM | 22,400 | 128,640 | 134,031 | 107,669 | July 19, 1991 | First National Bank of Commerce<br>New Orleans, Louisiana |
| The Kerens Bank<br>Kerens, Texas | NM | 2,700 | 19,094 | 19,789 | 17,995 | July 25, 1991 | Cedar Creek Bank<br>Seven Points, Texas |
| Suburban National Bank<br>Hillsborough Township, New Jersey | N | 7,300 | 95,901 | 92,833 | 88,002 | July 26, 1991 | Provident Savings Bank<br>Jersey City, New Jersey |
| The Housatonic Bank & Trust Company<br>Ansonia, Connecticut | NM | 7,600 | 65,309 | 61,672 | 44,867 | July 26, 1991 | Shelton Savings Bank<br>Shelton, Connecticut |
| Citytrust<br>Bridgeport, Connecticut | NM | 146,000 | 1,883,999 | 1,697,825 | 568,663 | August 9, 1991 | Chase Manhattan Bank of Connecticut, N.A.<br>Bridgeport, Connecticut |
| Mechanics and Farmers Savings Bank, FSB<br>Bridgeport, Connecticut | SB | 105,000 | 1,037,736 | 878,401 | 433,038 | August 9, 1991 | Chase Manhattan Bank of Connecticut, N.A.<br>Bridgeport, Connecticut |
| Bank of South Palm Beaches<br>Hypoluxo, Florida | NM | 7,800 | 61,179 | 65,694 | 61,053 | August 9, 1991 | 1st United Bank<br>Boca Raton, Florida |
| Northwest National Bank<br>Fayetteville, Arkansas | N | 5,900 | 27,198 | 30,827 | 3,524 | August 16, 1991 | Citizens Bank of Northwest Arkansas<br>Fayetteville, Arkansas |
| First Mexia Bank<br>Mexia, Texas | NM | 4,200 | 23,227 | 22,823 | 19,715 | August 22, 1991 | The East Texas National Bank of Palestine<br>Palestine, Texas |
| Buchel Bank & Trust Company<br>Cuero, Texas | NM | 4,000 | 24,664 | 26,735 | 23,578 | August 22, 1991 | First Bank<br>Edna, Texas |
| San Saba National Bank<br>San Saba, Texas | N | 2,200 | 14,129 | 15,139 | 13,478 | August 29, 1991 | First Llano Bank<br>Llano, Texas |
| First National Bank and Trust Company<br>Blackwell, Oklahoma | N | 5,000 | 32,786 | 33,984 | 1,477 | August 29, 1991 | Central National Bank & Trust Company of Enid<br>Enid, Oklahoma |
| Hillsborough Bank and Trust Company<br>Milford, New Hampshire | NM | 3,500 | 46,004 | 59,398 | 55,712 | August 30, 1991 | Peterborough Savings Bank<br>Peterborough, New Hampshire |
| Lowell Institution for Savings<br>Lowell, Massachusetts | SB | 34,100 | 394,091 | 322,234 | 385,992 | August 30, 1991 | The Family Mutual Savings Bank<br>Haverhill, Massachusetts |
| Hilton Head Bank & Trust Company, N.A.<br>Hilton Head Island, South Carolina | N | 6,100 | 63,036 | 59,063 | 38,150 | August 30, 1991 | The Anchor Bank<br>Myrtle Beach, South Carolina |
| Suffield Bank<br>Suffield, Connecticut | SB | 29,100 | 294,710 | 264,072 | 213,435 | September 6, 1991 | First Federal Bank, FSB<br>Waterbury, Connecticut |
| The Family Bank and Trust<br>Allenstown, New Hampshire | NM | 7,800 | 40,871 | 45,605 | 44,409 | September 6, 1991 | The Valley Bank<br>Hillsborough, New Hampshire |
| Valley Bank<br>White River Junction, Vermont | NM | 5,100 | 35,814 | 35,950 | 23,936 | September 13, 1991 | Vermont National Bank<br>Brattleboro, Vermont |
| Southeast Bank, N.A.<br>Miami, Florida | N | 1,100,000 | 10,758,507 | 8,000,000 | 3,386,762 | September 19, 1991 | First Union National Bank of Florida<br>Jacksonville, Florida |
| Southeast Bank of West Florida<br>Pensacola, Florida | NM | 13,000 | 91,143 | 85,000 | 82,335 | September 19, 1991 | First Union National Bank of Florida<br>Jacksonville, Florida |
| Bank Five for Savings<br>Arlington, Massachusetts | SB | 46,300 | 390,003 | 406,591 | 277,944 | September 20, 1991 | Cambridge Savings Bank<br>Cambridge, Massachusetts |
| MidCounty Bank and Trust Company<br>Norwood, Massachusetts | NM | 3,000 | 62,406 | 59,706 | 53,923 | September 20, 1991 | Dedham Institution for Savings<br>Dedham, Massachusetts |
| Harbor National Bank of Connecticut<br>Branford, Connecticut | N | 5,200 | 19,197 | 22,301 | 17,521 | October 3, 1991 | The New Haven Savings Bank<br>New Haven, Connecticut |
| Reagan State Bank<br>Big Lake, Texas | NM | 2,700 | 15,792 | 19,707 | 15,394 | October 3, 1991 | Security State Bank<br>McCamey, Texas |
| Amoskeag Bank<br>Manchester, New Hampshire | SB | 125,400 | 831,459 | 741,145 | 407,652 | October 10, 1991 | First NH Bank<br>Concord, New Hampshire |
| BankEast<br>Manchester, New Hampshire | NM | 95,620 | 742,136 | 593,244 | 418,560 | October 10, 1991 | First NH Bank<br>Concord, New Hampshire |
| Nashua Trust Company<br>Nashua, New Hampshire | NM | 73,509 | 409,065 | 383,557 | 204,913 | October 10, 1991 | First NH Bank<br>Concord, New Hampshire |

Dollars In Thousands

| Name and Location | Class of Bank | Number of Deposit Accounts | Total Assets | Total Deposits | FDIC Disbursements | Date of Closing, Deposit Assumption, Merger, or Assistance | Receiver, Assuming Bank, Transferee Bank or Merging Bank and Location |
|---|---|---|---|---|---|---|---|
| **Deposit Assumptions (Continued)** | | | | | | | |
| Bank Meridian, National Association<br>Hampton, New Hampshire | N | 17,467 | $ 108,434 | $ 106,069 | $ 47,562 | October 10, 1991 | First NH Bank<br>Concord, New Hampshire |
| New Hampshire Savings Bank<br>Concord, New Hampshire | SB | 113,018 | 1,012,139 | 917,035 | 480,897 | October 10, 1991 | New Dartmouth Bank<br>Manchester, New Hampshire |
| Dartmouth Bank<br>Manchester, New Hampshire | SB | 107,000 | 798,327 | 817,669 | 487,966 | October 10, 1991 | New Dartmouth Bank<br>Manchester, New Hampshire |
| Numerica Savings Bank, FSB<br>Manchester, New Hampshire | SB | 80,625 | 490,674 | 452,550 | 259,113 | October 10, 1991 | New Dartmouth Bank<br>Manchester, New Hampshire |
| Iona Savings Bank<br>Tilton, New Hampshire | SB | 3,400 | 30,996 | 28,293 | 30,477 | October 11, 1991 | First Savings and Loan Association of New Hampshire<br>Exeter, New Hampshire |
| Central Bank<br>Meriden, Connecticut | SB | 66,800 | 683,689 | 626,466 | 688,631 | October 18, 1991 | Centerbank<br>Waterbury, Connecticut |
| Connecticut Valley Bank<br>Cromwell, Connecticut | NM | 2,100 | 27,503 | 27,862 | 26,064 | October 18, 1991 | MidConn Bank<br>Kensington, Connecticut |
| First National Bank<br>Bedford, Texas | N | 3,900 | 18,971 | 21,642 | 18,375 | October 24, 1991 | First International Bank<br>Bedford, Texas |
| Coolidge Bank and Trust Company<br>Boston, Massachusetts | NM | 29,500 | 265,332 | 260,466 | 248,528 | October 25, 1991 | Pioneer Financial, a Cooperative Bank<br>Malden, Massachusetts |
| The Citizens Bank of Pagosa Springs<br>Pagosa Springs, Colorado | NM | 2,600 | 17,192 | 16,897 | 15,007 | October 25, 1991 | Citizens Bank of Pagosa Springs<br>Pagosa Springs, Colorado |
| First Hanover Bank<br>Wilmington, North Carolina | NM | 5,200 | 48,262 | 35,500 | 35,394 | October 25, 1991 | Central Carolina Bank and Trust Company<br>Durham, North Carolina |
| Bank of the South<br>Baton Rouge, Louisiana | NM | 3,400 | 30,073 | 37,274 | 30,650 | October 30, 1991 | The First National Bank in St. Mary Parish<br>Morgan City, Louisiana |
| Union Bank<br>San Antonio, Texas | NM | 15,700 | 85,233 | 102,233 | 80,222 | October 31, 1991 | Channelview Bank<br>Channelview, Texas |
| Connecticut Savings Bank<br>New Haven, Connecticut | SB | 146,000 | 1,084,525 | 867,219 | 889,723 | November 14, 1991 | Centerbank<br>Waterbury, Connecticut |
| Alvarado National Bank<br>Alvarado, Texas | N | 2,300 | 10,194 | 9,388 | 9,636 | November 14, 1991 | The First National Bank in Joshua<br>Joshua, Texas |
| Durham Trust Company<br>Durham, New Hampshire | NM | 9,500 | 63,652 | 67,428 | 63,623 | November 15, 1991 | Granite Bank<br>Keene, New Hampshire |
| Saybrook Bank and Trust Company<br>Old Saybrook, Connecticut | NM | 7,800 | 76,547 | 78,617 | 72,010 | December 6, 1991 | The New Haven Savings Bank<br>New Haven, Connecticut |
| Bank of East Hartford<br>East Hartford, Connecticut | NM | 3,900 | 37,760 | 38,396 | 33,363 | December 13, 1991 | Bank of South Windsor<br>South Windsor, Connecticut |
| Merchants National Bank<br>Leominster, Massachusetts | N | 29,400 | 155,619 | 147,476 | 136,377 | December 13, 1991 | Worcester County Institution for Savings<br>Worcester, Massachusetts |
| The Bank Mart<br>Bridgeport, Connecticut | SB | 41,700 | 514,879 | 486,776 | 471,190 | December 13, 1991 | Gateway Bank<br>South Norwalk, Connecticut |
| North Ridge Bank<br>Oakland Park, Florida | NM | 11,000 | 85,724 | 87,225 | 82,093 | December 20, 1991 | Intercontinental Bank<br>Miami, Florida |
| **Bridge Banks*** | | | | | | | |
| New Bank of New England, N.A.<br>Boston, Massachusetts | N | N/A | 13,644,745 | 11,322,182 | 2,230,965 | April 22, 1991 | Fleet/Norstar Financial Group, Inc.<br>Providence, Rhode Island |
| New Connecticut Bank and Trust Company, N.A.<br>Hartford, Connecticut | N | N/A | 7,077,251 | 6,798,224 | 2,418,249 | April 22, 1991 | Fleet/Norstar Financial Group, Inc.<br>Providence, Rhode Island |
| New Maine National Bank<br>Portland, Maine | N | N/A | 1,032,005 | 949,926 | 225,061 | April 22, 1991 | Fleet/Norstar Financial Group, Inc.<br>Providence, Rhode Island |
| **Assistance Transactions** | | | | | | | |
| First Bank and Trust<br>Harrisburg, Illinois | NM | N/A | 29,706 | 28,805 | 0 | September 10, 1991 | Shawnee Bancorp, Inc.<br>Harrisburg, Illinois |
| Gunnison Bank and Trust Company<br>Gunnison, Colorado | SM | N/A | 22,277 | 21,356 | 0 | October 2, 1991 | Lindoe, Inc.<br>Ordway, Colorado |
| The Douglass Bank<br>Kansas City, Kansas | NM | N/A | 31,860 | 30,217 | 1,000 | December 4, 1991 | The Douglass Bank<br>Kansas City, Kansas |

*Bridge banks are full service national banks established on an interim basis to assume the deposits, certain liabilities and substantially all the assets of the failed banks. New Bank of New England, N.A., New Connecticut Bank and Trust Company, N.A. and New Maine National Bank were established with the January 6, 1991, closing of the Bank of New England, N.A., Connecticut Bank and Trust Company, N.A. and Maine National Bank. They were subsequently acquired by Fleet/Norstar Financial Group, Inc., in April 1991.

# Table C (formerly Table 125)
## Recoveries and Losses by the Bank Insurance Fund on Disbursements for Protection of Depositors, 1934 - 1991

Dollars In Thousands

| Liquidation status and year of deposit payoff or deposit assumption | All cases | | | | | Deposit payoff cases | | | | | Deposit assumption cases[1] | | | | | Assistance transactions[2] | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of banks | Disburse-ments | Recoveries to Dec. 31, 1991 | Estimated Additional Recoveries | Losses[3] | Number of banks | Disburse-ments[4] | Recoveries to Dec. 31, 1991 | Estimated Additional Recoveries | Losses[3] | Number of banks | Disburse-ments[5] | Recoveries to Dec. 31, 1991 | Estimated Additional Recoveries | Losses[3] | Number of banks | Disburse-ments | Recoveries to Dec. 31, 1991 | Estimated Additional Recoveries | Losses[3] |
| **Total** | **1,940** | **86,465,085** | **38,165,402** | **12,770,101** | **35,529,492** | **573** | **12,088,750** | **6,117,739** | **1,471,083** | **4,499,928** | **1,294** | **49,946,316** | **23,939,663** | **8,305,849** | **17,700,714** | **73** | **24,430,019** | **8,108,000** | **2,993,169** | **13,328,850** |
| 1991 | 127 | 19,790,422 | 4,086,166 | 8,307,830 | 7,396,426 | 21 | 1,441,393 | 199,710 | 621,391 | 620,292 | 103 | 16,903,508 | 3,086,456 | 7,604,893 | 6,212,159 | 3 | 1,445,521 | 800,000 | 81,546 | 563,975 |
| 1990 | 169 | 10,369,855 | 5,826,682 | 601,990 | 3,941,183 | 20 | 1,899,975 | 670,379 | 410,311 | 819,285 | 148 | 8,468,027 | 5,156,303 | 191,679 | 3,120,045 | 1 | 1,853 | 0 | 0 | 1,853 |
| 1989 | 207 | 10,562,090 | 4,206,437 | (154,936) | 6,510,589 | 32 | 2,114,719 | 822,042 | 217,139 | 1,075,538 | 174 | 3,662,084 | 2,830,122 | (468,954) | 1,300,916 | 1 | 4,785,287 | 554,273 | 96,879 | 4,134,135 |
| 1988 | 221 | 13,034,043 | 3,624,988 | 2,249,063 | 7,159,992 | 36 | 1,252,133 | 722,111 | 74,251 | 455,771 | 164 | 2,922,029 | 681,625 | 41,795 | 2,198,609 | 21 | 8,859,881 | 2,221,252 | 2,133,017 | 4,505,612 |
| 1987 | 203 | 5,025,908 | 2,691,892 | 162,171 | 2,171,845 | 51 | 2,101,014 | 1,256,129 | 116,431 | 728,454 | 133 | 2,737,818 | 1,433,996 | 71,380 | 1,232,442 | 19 | 187,076 | 1,767 | (25,640) | 210,949 |
| 1986 | 145 | 4,892,583 | 2,770,918 | 274,165 | 1,847,500 | 40 | 1,155,767 | 706,187 | 9,276 | 440,304 | 98 | 3,349,422 | 2,054,977 | 78,778 | 1,215,667 | 7 | 387,394 | 9,754 | 186,111 | 191,529 |
| 1985 | 120 | 2,865,563 | 1,508,850 | 285,330 | 1,071,383 | 29 | 522,790 | 403,876 | (7,786) | 126,700 | 87 | 1,623,764 | 957,079 | 136,786 | 529,899 | 4 | 719,009 | 147,895 | 156,330 | 414,784 |
| 1984[6] | 80 | 7,683,086 | 5,345,560 | 351,763 | 1,985,763 | 16 | 791,760 | 654,305 | 27,303 | 110,152 | 62 | 1,369,309 | 915,793 | 26,620 | 426,896 | 2 | 5,522,017 | 3,775,462 | 297,840 | 1,448,715 |
| 1983 | 48 | 3,695,633 | 2,050,340 | 275,667 | 1,369,626 | 9 | 147,287 | 120,668 | 893 | 25,726 | 36 | 3,476,354 | 1,929,672 | 255,376 | 1,291,306 | 3 | 71,992 | 0 | 19,398 | 52,594 |
| 1982 | 42 | 2,262,079 | 824,149 | 122,674 | 1,315,256 | 7 | 277,240 | 205,800 | 210 | 71,230 | 26 | 418,339 | 319,599 | 74,776 | 23,964 | 9 | 1,566,500 | 298,750 | 47,688 | 1,220,062 |
| 1981 | 10 | 998,433 | 366,908 | 43,518 | 588,007 | 2 | 35,736 | 34,598 | 0 | 1,138 | 5 | 79,208 | 33,463 | 43,518 | 2,227 | 3 | 883,489 | 298,847 | 0 | 584,642 |
| 1980 | 10 | 152,355 | 114,760 | 7,010 | 30,585 | 3 | 13,732 | 11,515 | 0 | 2,217 | 7 | 138,623 | 103,245 | 7,010 | 28,368 | | | | | |
| 1979 | 10 | 90,351 | 74,246 | 5,238 | 10,867 | 3 | 9,936 | 9,015 | (12) | 933 | 7 | 80,415 | 65,231 | 5,250 | 9,934 | | | | | |
| 1978 | 7 | 548,568 | 510,613 | 28,940 | 9,015 | 1 | 817 | 613 | 0 | 204 | 6 | 547,751 | 510,000 | 28,940 | 8,811 | | | | | |
| 1977 | 6 | 26,650 | 20,654 | 3,903 | 2,093 | | | | | | 6 | 26,650 | 20,654 | 3,903 | 2,093 | | | | | |
| 1976 | 16 | 599,397 | 559,430 | 39,720 | 247 | 3 | 11,416 | 9,660 | 1,683 | 73 | 13 | 587,981 | 549,770 | 38,037 | 174 | | | | | |
| 1975 | 13 | 332,046 | 292,431 | 23,303 | 16,312 | 3 | 25,918 | 25,849 | 1 | 68 | 10 | 306,128 | 266,582 | 23,302 | 16,244 | | | | | |
| 1974 | 4 | 2,403,277 | 2,259,633 | 143,604 | 40 | | | | | | 4 | 2,403,277 | 2,259,633 | 143,604 | 40 | | | | | |
| 1973 | 6 | 435,238 | 368,852 | (1,101) | 67,487 | 3 | 16,771 | 16,771 | 0 | 0 | 3 | 418,467 | 352,081 | (1,101) | 67,487 | | | | | |
| 1972 | 1 | 16,189 | 14,501 | (8) | 1,696 | 1 | 16,189 | 14,501 | (8) | 1,696 | | | | | | | | | | |
| 1971 | 6 | 171,646 | 171,430 | 23 | 193 | 5 | 53,767 | 53,574 | 0 | 193 | 1 | 117,879 | 117,856 | 23 | 0 | | | | | |
| 1970 | 7 | 51,566 | 51,294 | 0 | 272 | 4 | 29,265 | 28,993 | 0 | 272 | 3 | 22,301 | 22,301 | 0 | 0 | | | | | |
| 1969 | 9 | 42,072 | 41,910 | 0 | 162 | 4 | 7,596 | 7,513 | 0 | 83 | 5 | 34,476 | 34,397 | 0 | 79 | | | | | |
| 1968 | 3 | 6,476 | 6,464 | 0 | 12 | | | | | | 3 | 6,476 | 6,464 | 0 | 12 | | | | | |
| 1967 | 4 | 8,097 | 7,087 | 0 | 1,010 | 4 | 8,097 | 7,087 | 0 | 1,010 | | | | | | | | | | |
| 1966 | 7 | 10,020 | 9,541 | 234 | 245 | 1 | 735 | 735 | 0 | 0 | 6 | 9,285 | 8,806 | 234 | 245 | | | | | |
| 1965 | 5 | 11,479 | 10,816 | 0 | 663 | 3 | 10,908 | 10,391 | 0 | 517 | 2 | 571 | 425 | 0 | 146 | | | | | |
| 1964 | 7 | 13,712 | 12,171 | 0 | 1,541 | 7 | 13,712 | 12,171 | 0 | 1,541 | | | | | | | | | | |
| 1963 | 2 | 19,172 | 18,886 | 0 | 286 | 2 | 19,172 | 18,886 | 0 | 286 | | | | | | | | | | |
| 1962[7] | | | | | | | | | | | | | | | | | | | | |
| 1961 | 5 | 6,201 | 4,699 | 0 | 1,502 | 5 | 6,201 | 4,699 | 0 | 1,502 | | | | | | | | | | |
| 1960 | 1 | 4,765 | 4,765 | 0 | 0 | 1 | 4,765 | 4,765 | 0 | 0 | | | | | | | | | | |
| 1959 | 3 | 1,835 | 1,738 | 0 | 97 | 3 | 1,835 | 1,738 | 0 | 97 | | | | | | | | | | |
| 1958 | 4 | 3,051 | 3,023 | 0 | 28 | 3 | 2,796 | 2,768 | 0 | 28 | 1 | 255 | 255 | 0 | 0 | | | | | |
| 1957 | 1 | 1,031 | 1,031 | 0 | 0 | 1 | 1,031 | 1,031 | 0 | 0 | | | | | | | | | | |
| 1956 | 2 | 3,499 | 3,286 | 0 | 213 | 1 | 2,795 | 2,582 | 0 | 213 | 1 | 704 | 704 | 0 | 0 | | | | | |
| 1955 | 5 | 7,315 | 7,085 | 0 | 230 | 4 | 4,438 | 4,208 | 0 | 230 | 1 | 2,877 | 2,877 | 0 | 0 | | | | | |
| 1954 | 2 | 1,029 | 771 | 0 | 258 | | | | | | 2 | 1,029 | 771 | 0 | 258 | | | | | |
| 1953 | 2 | 5,359 | 5,359 | 0 | 0 | | | | | | 2 | 5,359 | 5,359 | 0 | 0 | | | | | |
| 1952 | 3 | 1,525 | 733 | 0 | 792 | | | | | | 3 | 1,525 | 733 | 0 | 792 | | | | | |
| 1951 | 2 | 1,986 | 1,986 | 0 | 0 | | | | | | 2 | 1,986 | 1,986 | 0 | 0 | | | | | |
| 1950 | 4 | 4,404 | 3,019 | 0 | 1,385 | | | | | | 4 | 4,404 | 3,019 | 0 | 1,385 | | | | | |
| 1949 | 4 | 2,685 | 2,316 | 0 | 369 | | | | | | 4 | 2,685 | 2,316 | 0 | 369 | | | | | |
| 1948 | 3 | 3,150 | 2,509 | 0 | 641 | | | | | | 3 | 3,150 | 2,509 | 0 | 641 | | | | | |
| 1947 | 5 | 2,038 | 1,979 | 0 | 59 | | | | | | 5 | 2,038 | 1,979 | 0 | 59 | | | | | |
| 1946 | 1 | 274 | 274 | 0 | 0 | | | | | | 1 | 274 | 274 | 0 | 0 | | | | | |
| 1945 | 1 | 1,845 | 1,845 | 0 | 0 | | | | | | 1 | 1,845 | 1,845 | 0 | 0 | | | | | |
| 1944 | 2 | 1,532 | 1,492 | 0 | 40 | 1 | 404 | 364 | 0 | 40 | 1 | 1,128 | 1,128 | 0 | 0 | | | | | |
| 1943 | 5 | 7,230 | 7,107 | 0 | 123 | 4 | 5,500 | 5,377 | 0 | 123 | 1 | 1,730 | 1,730 | 0 | 0 | | | | | |
| 1942 | 20 | 11,684 | 10,996 | 0 | 688 | 6 | 1,612 | 1,320 | 0 | 292 | 14 | 10,072 | 9,676 | 0 | 396 | | | | | |
| 1941 | 15 | 25,061 | 24,470 | 0 | 591 | 8 | 12,278 | 12,065 | 0 | 213 | 7 | 12,783 | 12,405 | 0 | 378 | | | | | |
| 1940 | 43 | 87,899 | 84,103 | 0 | 3,706 | 19 | 4,895 | 4,313 | 0 | 582 | 24 | 83,004 | 79,790 | 0 | 3,124 | | | | | |
| 1939 | 60 | 81,828 | 74,676 | 0 | 7,152 | 32 | 26,196 | 20,399 | 0 | 5,797 | 28 | 55,632 | 54,277 | 0 | 1,355 | | | | | |
| 1938 | 74 | 34,394 | 31,969 | 0 | 2,425 | 50 | 9,092 | 7,908 | 0 | 1,184 | 24 | 25,302 | 24,061 | 0 | 1,241 | | | | | |
| 1937 | 75 | 20,204 | 16,532 | 0 | 3,672 | 50 | 12,365 | 9,718 | 0 | 2,647 | 25 | 7,839 | 6,814 | 0 | 1,025 | | | | | |
| 1936 | 69 | 15,206 | 12,873 | 0 | 2,333 | 42 | 7,735 | 6,397 | 0 | 1,338 | 27 | 7,471 | 6,476 | 0 | 995 | | | | | |
| 1935 | 25 | 9,108 | 6,423 | 0 | 2,685 | 24 | 6,026 | 4,274 | 0 | 1,752 | 1 | 3,082 | 2,149 | 0 | 933 | | | | | |
| 1934 | 9 | 941 | 734 | 0 | 207 | 9 | 941 | 734 | 0 | 207 | | | | | | | | | | |

[1] Deposit assumption cases include $347.6 million of disbursements for advances to protect assets and liquidation expenses which had been excluded in prior years.
[2] "Assistance transactions" includes banks merged with financial assistance from FDIC to prevent probable failure through 1991.
[3] Includes estimated losses in active cases. Not adjusted for interest or allowable return, which was collected in some cases in which the disbursement was fully recovered.
[4] Includes estimated additional disbursements in active cases.
[5] Excludes excess collections turned over to banks as additional purchase price at termination of liquidation.
[6] Includes Continental Illinois National Bank Assistance Agreement, which had been previously excluded.
[7] No case in 1962 required disbursements.

Note: Assistance losses for 1988 through 1991 include estimated costs payable in future years.
Note: Certain failed banks from 1988 and 1989 classified in the 1989 Annual Report as assistance transactions have been reclassified as deposit assumption cases.

## Table D (formerly Table 127)
## Income and Expenses, Bank Insurance Fund, by Year, from Beginning of Operations, September 11, 1933, to December 31, 1991

Dollars In Millions

| | Income | | | | Expenses and losses | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Year | Total | Assessment income | Assessment credits | Investment and other sources[1] | Total | Deposit Insurance losses and expenses | Interest on capital stock[2] | Administrative expenses | Net income (Loss) added to deposit insurance fund |
| **Total** | **$49,429.2** | **$33,145.7** | **$6,709.1** | **$22,992.6** | **$56,457.1** | **$53,068.0** | **$80.6** | **$3,308.5** | **($7,027.9)** |
| 1991 | 5,789.9 | 5,160.5 | 0.0 | 629.4 | 16,862.3 | 16,578.2[3] | 0.0 | 284.1 | (11,072.4) |
| 1990 | 3,838.3 | 2,855.3 | 0.0 | 983.0 | 13,003.3 | 12,783.7[3] | 0.0 | 219.6 | (9,165.0) |
| 1989 | 3,494.6 | 1,885.0 | 0.0 | 1,609.6 | 4,346.2 | 4,132.3 | 0.0 | 213.9 | (851.6) |
| 1988 | 3,347.7 | 1,773.0 | 0.0 | 1,574.7 | 7,588.4 | 7,364.5 | 0.0 | 223.9 | (4,240.7) |
| 1987 | 3,319.4 | 1,696.0 | 0.0 | 1,623.4 | 3,270.9 | 3,066.0 | 0.0 | 204.9 | 48.5 |
| 1986 | 3,260.1 | 1,516.9 | 0.0 | 1,743.2 | 2,963.7 | 2,783.4 | 0.0 | 180.3 | 296.4 |
| 1985 | 3,385.4 | 1,433.4 | 0.0 | 1,952.0 | 1,957.9 | 1,778.7 | 0.0 | 179.2 | 1,427.5 |
| 1984[4] | 3,099.5 | 1,321.5 | 0.0 | 1,778.0 | 1,999.2 | 1,848.0 | 0.0 | 151.2 | 1,100.3 |
| 1983 | 2,628.1 | 1,214.9 | 164.0 | 1,577.2 | 969.9 | 834.2 | 0.0 | 135.7 | 1,658.2 |
| 1982 | 2,524.6 | 1,108.9 | 96.2 | 1,511.9 | 999.8 | 869.9 | 0.0 | 129.9 | 1,524.8 |
| 1981 | 2,074.7 | 1,039.0 | 117.1 | 1,152.8 | 848.1 | 720.9 | 0.0 | 127.2 | 1,226.6 |
| 1980 | 1,310.4 | 951.9 | 521.1 | 879.6 | 83.6 | (34.6) | 0.0 | 118.2 | 1,226.8 |
| 1979 | 1,090.4 | 881.0 | 524.6 | 734.0 | 93.7 | (13.1) | 0.0 | 106.8 | 996.7 |
| 1978 | 952.1 | 810.1 | 443.1 | 585.1 | 148.9 | 45.6 | 0.0 | 103.3[5] | 803.2 |
| 1977 | 837.8 | 731.3 | 411.9 | 518.4 | 113.6 | 24.3 | 0.0 | 89.3 | 724.2 |
| 1976 | 764.9 | 676.1 | 379.6 | 468.4 | 212.3 | 31.9 | 0.0 | 180.4[5] | 552.6 |
| 1975 | 689.3 | 641.3 | 362.4 | 410.4 | 97.5 | 29.8 | 0.0 | 67.7 | 591.8 |
| 1974 | 668.1 | 587.4 | 285.4 | 366.1 | 159.2 | 100.0 | 0.0 | 59.2 | 508.9 |
| 1973 | 561.0 | 529.4 | 283.4 | 315.0 | 108.2 | 53.8 | 0.0 | 54.4 | 452.8 |
| 1972 | 467.0 | 468.8 | 280.3 | 278.5 | 59.7 | 10.1 | 0.0 | 49.6 | 407.3 |
| 1971 | 415.3 | 417.2 | 241.4 | 239.5 | 60.3 | 13.4 | 0.0 | 46.9 | 355.0 |
| 1970 | 382.7 | 369.3 | 210.0 | 223.4 | 46.0 | 3.8 | 0.0 | 42.2 | 336.7 |
| 1969 | 335.8 | 364.2 | 220.2 | 191.8 | 34.5 | 1.0 | 0.0 | 33.5 | 301.3 |
| 1968 | 295.0 | 334.5 | 202.1 | 162.6 | 29.1 | 0.1 | 0.0 | 29.0 | 265.9 |
| 1967 | 263.0 | 303.1 | 182.4 | 142.3 | 27.3 | 2.9 | 0.0 | 24.4 | 235.7 |
| 1966 | 241.0 | 284.3 | 172.6 | 129.3 | 19.9 | 0.1 | 0.0 | 19.8 | 221.1 |
| 1965 | 214.6 | 260.5 | 158.3 | 112.4 | 22.9 | 5.2 | 0.0 | 17.7 | 191.7 |
| 1964 | 197.1 | 238.2 | 145.2 | 104.1 | 18.4 | 2.9 | 0.0 | 15.5 | 178.7 |
| 1963 | 181.9 | 220.6 | 136.4 | 97.7 | 15.1 | 0.7 | 0.0 | 14.4 | 166.8 |
| 1962 | 161.1 | 203.4 | 126.9 | 84.6 | 13.8 | 0.1 | 0.0 | 13.7 | 147.3 |
| 1961 | 147.3 | 188.9 | 115.5 | 73.9 | 14.8 | 1.6 | 0.0 | 13.2 | 132.5 |
| 1960 | 144.6 | 180.4 | 100.8 | 65.0 | 12.5 | 0.1 | 0.0 | 12.4 | 132.1 |
| 1959 | 136.5 | 178.2 | 99.6 | 57.9 | 12.1 | 0.2 | 0.0 | 11.9 | 124.4 |
| 1958 | 126.8 | 166.8 | 93.0 | 53.0 | 11.6 | 0.0 | 0.0 | 11.6 | 115.2 |
| 1957 | 117.3 | 159.3 | 90.2 | 48.2 | 9.7 | 0.1 | 0.0 | 9.6 | 107.6 |
| 1956 | 111.9 | 155.5 | 87.3 | 43.7 | 9.4 | 0.3 | 0.0 | 9.1 | 102.5 |
| 1955 | 105.7 | 151.5 | 85.4 | 39.6 | 9.0 | 0.3 | 0.0 | 8.7 | 96.7 |
| 1954 | 99.7 | 144.2 | 81.8 | 37.3 | 7.8 | 0.1 | 0.0 | 7.7 | 91.9 |
| 1953 | 94.2 | 138.7 | 78.5 | 34.0 | 7.3 | 0.1 | 0.0 | 7.2 | 86.9 |
| 1952 | 88.6 | 131.0 | 73.7 | 31.3 | 7.8 | 0.8 | 0.0 | 7.0 | 80.8 |
| 1951 | 83.5 | 124.3 | 70.0 | 29.2 | 6.6 | 0.0 | 0.0 | 6.6 | 76.9 |
| 1950 | 84.8 | 122.9 | 68.7 | 30.6 | 7.8 | 1.4 | 0.0 | 6.4 | 77.0 |
| 1949 | 151.1 | 122.7 | 0.0 | 28.4 | 6.4 | 0.3 | 0.0 | 6.1 | 144.7 |
| 1948 | 145.6 | 119.3 | 0.0 | 26.3 | 7.0 | 0.7 | 0.6 | 5.7 | 138.6 |
| 1947 | 157.5 | 114.4 | 0.0 | 43.1 | 9.9 | 0.1 | 4.8 | 5.0 | 147.6 |
| 1946 | 130.7 | 107.0 | 0.0 | 23.7 | 10.0 | 0.1 | 5.8 | 4.1 | 120.7 |
| 1945 | 121.0 | 93.7 | 0.0 | 27.3 | 9.4 | 0.1 | 5.8 | 3.5 | 111.6 |
| 1944 | 99.3 | 80.9 | 0.0 | 18.4 | 9.3 | 0.1 | 5.8 | 3.4 | 90.0 |
| 1943 | 86.6 | 70.0 | 0.0 | 16.6 | 9.8 | 0.2 | 5.8 | 3.8 | 76.8 |
| 1942 | 69.1 | 56.5 | 0.0 | 12.6 | 10.1 | 0.5 | 5.8 | 3.8 | 59.0 |
| 1941 | 62.0 | 51.4 | 0.0 | 10.6 | 10.1 | 0.6 | 5.8 | 3.7 | 51.9 |
| 1940 | 55.9 | 46.2 | 0.0 | 9.7 | 12.9 | 3.5 | 5.8 | 3.6 | 43.0 |
| 1939 | 51.2 | 40.7 | 0.0 | 10.5 | 16.4 | 7.2 | 5.8 | 3.4 | 34.8 |
| 1938 | 47.7 | 38.3 | 0.0 | 9.4 | 11.3 | 2.5 | 5.8 | 3.0 | 36.4 |
| 1937 | 48.2 | 38.8 | 0.0 | 9.4 | 12.2 | 3.7 | 5.8 | 2.7 | 36.0 |
| 1936 | 43.8 | 35.6 | 0.0 | 8.2 | 10.9 | 2.6 | 5.8 | 2.5 | 32.9 |
| 1935 | 20.8 | 11.5 | 0.0 | 9.3 | 11.3 | 2.8 | 5.8 | 2.7 | 9.5 |
| 1933-34 | 7.0 | 0.0[6] | 0.0 | 7.0 | 10.0 | 0.2 | 5.6 | 4.2[7] | (3.0) |

[1]Includes $757.4 million of interest and allowable return received on funds advanced to receivership and deposit assumption cases and $903.4 million of interest on capital notes advanced to facilitate deposit assumption transactions and assistance to open banks.

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

[3]Includes contingency losses for future unresolved cases.

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

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

[6]Assessments collected from members of the temporary insurance funds which became insured under the permanent plan were credited to their accounts at the termination of the temporary funds and were applied toward payment of subsequent assessments becoming due under the permanent insurance funding, resulting in no income to the FDIC from assessments during the existence of the temporary insurance funds.

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

# Table E (formerly Table 129)
## Insured Deposits and the Bank Insurance Fund, 1934 - 1991

Dollars In Millions

| Year (December 31) | Insurance coverage | Deposits in insured banks[1] | | Percentage of insured deposits | Deposit insurance fund | Insurance fund as a percentage of | |
|---|---|---|---|---|---|---|---|
| | | Total | Insured | | | Total deposits | Insured deposits |
| 1991 | $ 100,000 | $ 2,520,074 | $ 1,957,722 | 77.7 | $ (7,027.9) | (0.28) | (0.36) |
| 1990[2] | 100,000 | 2,540,930 | 1,929,612 | 75.9 | 4,044.5 | 0.16 | 0.21 |
| 1989 | 100,000 | 2,465,922 | 1,873,837 | 76.0 | 13,209.5 | 0.54 | 0.70 |
| 1988 | 100,000 | 2,330,768 | 1,750,259 | 75.1 | 14,061.1 | 0.60 | 0.80 |
| 1987 | 100,000 | 2,201,549 | 1,658,802 | 75.3 | 18,301.8 | 0.83 | 1.10 |
| 1986 | 100,000 | 2,167,596 | 1,634,302 | 75.4 | 18,253.3 | 0.84 | 1.12 |
| 1985 | 100,000 | 1,974,512 | 1,503,393 | 76.1 | 17,956.9 | 0.91 | 1.19 |
| 1984 | 100,000 | 1,806,520 | 1,389,874 | 76.9 | 16,529.4 | 0.92 | 1.19 |
| 1983 | 100,000 | 1,690,576 | 1,268,332 | 75.0 | 15,429.1 | 0.91 | 1.22 |
| 1982 | 100,000 | 1,544,697 | 1,134,221 | 73.4 | 13,770.9 | 0.89 | 1.21 |
| 1981 | 100,000 | 1,409,322 | 988,898 | 70.2 | 12,246.1 | 0.87 | 1.24 |
| 1980 | 100,000 | 1,324,463 | 948,717 | 71.6 | 11,019.5 | 0.83 | 1.16 |
| 1979 | 40,000 | 1,226,943 | 808,555 | 65.9 | 9,792.7 | 0.80 | 1.21 |
| 1978 | 40,000[3] | 1,145,835 | 760,706 | 66.4 | 8,796.0 | 0.77 | 1.16 |
| 1977 | 40,000 | 1,050,435 | 692,533 | 65.9 | 7,992.8 | 0.76 | 1.15 |
| 1976 | 40,000 | 941,923 | 628,263 | 66.7 | 7,268.8 | 0.77 | 1.16 |
| 1975 | 40,000 | 875,985 | 569,101 | 65.0 | 6,716.0 | 0.77 | 1.18 |
| 1974 | 40,000[4] | 833,277 | 520,309 | 62.5 | 6,124.2 | 0.73 | 1.18 |
| 1973 | 20,000 | 766,509 | 465,600 | 60.7 | 5,615.3 | 0.73 | 1.21 |
| 1972 | 20,000 | 697,480 | 419,756 | 60.2 | 5,158.7 | 0.74 | 1.23 |
| 1971 | 20,000 | 610,685 | 374,568 | 61.3 | 4,739.9 | 0.78 | 1.27 |
| 1970 | 20,000 | 545,198 | 349,581 | 64.1 | 4,379.6 | 0.80 | 1.25 |
| 1969 | 20,000 | 495,858 | 313,085 | 63.1 | 4,051.1 | 0.82 | 1.29 |
| 1968 | 15,000 | 491,513 | 296,701 | 60.2 | 3,749.2 | 0.76 | 1.26 |
| 1967 | 15,000 | 448,709 | 261,149 | 58.2 | 3,485.5 | 0.78 | 1.33 |
| 1966 | 15,000 | 401,096 | 234,150 | 58.4 | 3,252.0 | 0.81 | 1.39 |
| 1965 | 10,000 | 377,400 | 209,690 | 55.6 | 3,036.3 | 0.80 | 1.45 |
| 1964 | 10,000 | 348,981 | 191,787 | 55.0 | 2,844.7 | 0.82 | 1.48 |
| 1963 | 10,000 | 313,304[5] | 177,381 | 56.6 | 2,667.9 | 0.85 | 1.50 |
| 1962 | 10,000 | 297,548[6] | 170,210 | 57.2 | 2,502.0 | 0.84 | 1.47 |
| 1961 | 10,000 | 281,304 | 160,309 | 57.0 | 2,353.8 | 0.84 | 1.47 |
| 1960 | 10,000 | 260,495 | 149,684 | 57.5 | 2,222.2 | 0.85 | 1.48 |
| 1959 | 10,000 | 247,589 | 142,131 | 57.4 | 2,089.8 | 0.84 | 1.47 |
| 1958 | 10,000 | 242,445 | 137,698 | 56.8 | 1,965.4 | 0.81 | 1.43 |
| 1957 | 10,000 | 225,507 | 127,055 | 56.3 | 1,850.5 | 0.82 | 1.46 |
| 1956 | 10,000 | 219,393 | 121,008 | 55.2 | 1,742.1 | 0.79 | 1.44 |
| 1955 | 10,000 | 212,226 | 116,380 | 54.8 | 1,639.6 | 0.77 | 1.41 |
| 1954 | 10,000 | 203,195 | 110,973 | 54.6 | 1,542.7 | 0.76 | 1.39 |
| 1953 | 10,000 | 193,466 | 105,610 | 54.6 | 1,450.7 | 0.75 | 1.37 |
| 1952 | 10,000 | 188,142 | 101,841 | 54.1 | 1,363.5 | 0.72 | 1.34 |
| 1951 | 10,000 | 178,540 | 96,713 | 54.2 | 1,282.2 | 0.72 | 1.33 |
| 1950 | 10,000 | 167,818 | 91,359 | 54.4 | 1,243.9 | 0.74 | 1.36 |
| 1949 | 5,000 | 156,786 | 76,589 | 48.8 | 1,203.9 | 0.77 | 1.57 |
| 1948 | 5,000 | 153,454 | 75,320 | 49.1 | 1,065.9 | 0.69 | 1.42 |
| 1947 | 5,000 | 154,096 | 76,254 | 49.5 | 1,006.1 | 0.65 | 1.32 |
| 1946 | 5,000 | 148,458 | 73,759 | 49.7 | 1,058.5 | 0.71 | 1.44 |
| 1945 | 5,000 | 157,174 | 67,021 | 42.4 | 929.2 | 0.59 | 1.39 |
| 1944 | 5,000 | 134,662 | 56,398 | 41.9 | 804.3 | 0.60 | 1.43 |
| 1943 | 5,000 | 111,650 | 48,440 | 43.4 | 703.1 | 0.63 | 1.45 |
| 1942 | 5,000 | 89,869 | 32,837 | 36.5 | 616.9 | 0.69 | 1.88 |
| 1941 | 5,000 | 71,209 | 28,249 | 39.7 | 553.5 | 0.78 | 1.96 |
| 1940 | 5,000 | 65,288 | 26,638 | 40.8 | 496.0 | 0.76 | 1.86 |
| 1939 | 5,000 | 57,485 | 24,650 | 42.9 | 452.7 | 0.79 | 1.84 |
| 1938 | 5,000 | 50,791 | 23,121 | 45.5 | 420.5 | 0.83 | 1.82 |
| 1937 | 5,000 | 48,228 | 22,557 | 46.8 | 383.1 | 0.79 | 1.70 |
| 1936 | 5,000 | 50,281 | 22,330 | 44.4 | 343.4 | 0.68 | 1.54 |
| 1935 | 5,000 | 45,125 | 20,158 | 44.7 | 306.0 | 0.68 | 1.52 |
| 1934 | 5,000[7] | 40,060 | 18,075 | 45.1 | 291.7 | 0.73 | 1.61 |

[1] Deposits in foreign branches are omitted from totals because they are not insured. Before 1991, insured deposits were estimated by applying to deposits at regular intervals the percentages as determined from the June Call Report (quarterly report of condition and income) submitted by insured banks. Banks now report quarterly data on insured deposits, so 1991 figures are based on actual amounts reported at year-end, rather than estimates.

[2] Starting in 1990, deposits in insured banks exclude those deposits held by Bank Insurance Fund members that are covered by the Savings Association Insurance Fund under the "Oakar Amendment" to FIRREA.

[3] $100,000 for Individual Retirement Accounts and Keogh accounts provided in 1978.

[4] $100,000 for time and savings deposits of in-state governmental units provided in 1974.

[5] December 20, 1963.

[6] December 28, 1962.

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

# Index

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