FDIC

FEDERAL DEPOSIT INSURANCE CORPORATION

Marketing to the FDIC: Understanding the FDIC Service Categories

Understanding typical FDIC contractor service categories

Learning Objectives

At the end of this module, you will be able to:

- Identify the major service areas in which the FDIC may need contractor assistance.
- Define how you can do work with the FDIC.

About FDIC Small Business Resource Effort

The Federal Deposit Insurance Corporation (FDIC) recognizes the important contributions made by small, veteran, and minority and women-owned businesses to our economy. For that reason, we strive to provide small businesses with opportunities to contract with the FDIC. In furtherance of this goal, the FDIC has initiated the FDIC Small Business Resource Effort to assist the small vendors that provide products, services, and solutions to the FDIC.

The objective of the Small Business Resource Effort is to provide information and the tools small vendors need to become better positioned to compete for contracts and subcontracts at the FDIC. To achieve this objective, the Small Business Resource Effort references outside resources critical for qualified vendors, leverages technology to provide education according to perceived needs, and offers connectivity through resourcing, accessibility, counseling, coaching, and guidance where applicable.

This product was developed by the FDIC Office of Minority and Woman Inclusion (OMWI). OMWI has responsibility for oversight of the Small Business Resource Effort.

Executive Summary

The FDIC is an independent government corporation that protects against the loss of insured deposits if an FDIC-insured institution fails while examining and supervising financial institutions for safety, soundness, and consumer protection. The FDIC contracting program deals with diverse needs and specialized requirements, ranging from loan servicing to construction/renovation, to the purchase of laptop computers, asset management and disposition. Developing a clear understanding of what the FDIC needs can help you select products and services to sell. It can also help you position your business to effectively pursue and win a contract with the FDIC. The following module provides small business owners an overview of the FDIC as a customer and breaks down the most widely used services by the FDIC.

Understanding the FDIC

The Federal Deposit Insurance Corporation (FDIC) is an independent agency created by the U.S. Congress to maintain stability and public confidence in the nation's financial system. The FDIC is headquartered in Washington, D.C., but conducts much of its business in regional offices, temporary satellite offices, and field offices around the country. The FDIC is managed by a five-person Board of Directors, all of whom are appointed by the President and confirmed by the Senate, with no more than three being from the same political party.

As a U.S. government corporation created under the Banking Act of 1933, the FDIC provides deposit insurance, guaranteeing the safety of deposits in insured financial institutions up to $250,000 per depositor per bank. The FDIC insures deposits at 7,019 institutions and also examines and supervises certain financial institutions for safety and soundness, performs certain consumer-protection functions, and manages banks in receiverships.

FDIC Functions

When an FDIC insured institution fails, including savings and loan institutions, the FDIC responds immediately. The FDIC has several options for resolving failed institutions. In most cases, the FDIC arranges for another healthy financial institution to assume the deposits of the failed institution, along with current loans and other assets. This option is the least disruptive to the "customers" of the failed institution, as they become "customers" of the assuming institution. In the rare instances that the FDIC is not able to find an assuming institution, the FDIC pays depositors up to the amount of their insured deposits.

The FDIC is also responsible for managing the insurance fund that protects depositors of insured institutions, and to minimize losses to the fund. In most instances, failed institution assets are sold to other financial institutions or businesses as soon as a financial institution fails. However, at times and due to the volume or scope of troubled assets, it may be necessary for the FDIC to retain and manage some assets acquired from failed institutions. In all cases, proceeds from failed asset sales are used to reimburse the insurance fund and pay uninsured depositors, and other creditors, to the maximum extent under law.

The regional offices ensure the FDIC provides adequate coverage in a particular area and supports bank examiners, researchers, and lawyers, as well as other personnel across the region where the financial institutions they oversee are located. The primary business units of the FDIC comprise the following: Division of Finance (DOF), Legal Division (Legal), Division of Administration (DOA), Division of Information Technology (DIT), Division of Insurance and Research (DIR), Division of Supervision and Consumer Protection (DSC), Division of Resolutions and Receiverships (DRR), Office of Complex Financial Institutions (CFI), Division of Depositor and Consumer Protection (DCP), and Office of Minority and Woman Inclusion (OMWI).

FDIC Primary Business Units

- **Division of Finance (DOF):** The FDIC's Division of Finance provides financial management for all revenue and expenses of the FDIC and its receivership operation, including deposit insurance premium audits.

- **Legal Division (Legal):** The FDIC's Legal Division is a full-service corporate practice providing not only litigation but transactional, regulatory, and administrative legal services to the FDIC. Legal supports the development of contracting policies and procedures, and provides assistance when legal issues arise from statutory interpretation and compliance. In addition, Legal provides assistance on complex contracting issues, such as claims and disputes, and other matters referred by the Contracting Officer.

- **Division of Administration (DOA):** The FDIC's Division of Administration provides all administrative services, including human resources management, training and consulting services, contracting, leasing, facilities management, and security services supporting the physical and administrative infrastructure of the FDIC.

- **Division of Information Technology (DIT):** The FDIC's Division of Information Technology provides Information Technology (IT) to the FDIC, including all strategic planning for the acquisition of hardware, software, enterprise architecture, and systems development and implementation. DIT also conducts the day-to-day IT operations of the FDIC. As the FDIC's technology leader, DIT provides the FDIC with innovative and cost-effective IT solutions to support core business processes and to achieve mission-critical goals.

- **Division of Insurance and Research (DIR):** The FDIC's Division of Insurance and Research identifies and analyzes risks and sets policy regarding the deposit insurance fund based on analysis and forecasting of trends in the economic, financial, and banking sectors.

- **Division of Supervision and Consumer Protection (DSC):** The FDIC's Division of Supervision and Consumer Protection performs financial institution risk and compliance examinations in communities throughout the U.S. and its Territories. DSC promotes compliance with fair lending and other consumer protection laws and regulations, and increases public understanding of and confidence in the deposit insurance system. DSC field staff conducts both off-site and on-site examinations of financial institutions. DSC also encourages the preservation of minority depository institutions.

- **Division of Resolutions and Receiverships (DRR):** The FDIC's Division of Resolutions and Receiverships handles the resolution of failing FDIC-insured financial institutions and provides prompt, responsive, and efficient administration (including asset sales initiatives) to maintain confidence and stability in our financial system and to minimize losses. DRR sells failed financial institutions in whole or in part to other financial institutions. It also sells individual or pools of assets (loan portfolios, real estate, furniture, fixtures, and equipment, etc.) from failed financial institutions to investors or other purchasers.

- **Office of Complex Financial Institutions (CFI):** The FDIC's Office of Complex Financial Institutions (CFI) was created as a part of the Dodd-Frank Act to give the FDIC expanded resolution authority over large, complex financial firms. The CFI, along with the newly created DCP (see below), conducts continuous reviews and oversight of bank holding companies with more than $100 billion in assets. The CFI also examines nonbank financial institutions designated as Systemically Important (SIFI).

- **Division of Depositor and Consumer Protection (DCP):** The FDIC's Division of Depositor and Consumer Protection (DCP) was also created as a part of the Dodd-Frank Act to provide increased visibility to the FDIC's compliance examination and enforcement program. The DCP helps ensure banks comply with consumer protection and fair lending statues and regulations while working to promote public understanding.

- **Office of Minority and Woman Inclusion (OMWI):** The FDIC's Office of Minority and Woman Inclusion (OMWI), located at FDIC Headquarters, has nationwide responsibility for FDIC's Minority and Women Outreach Program (MWOP), which includes the Small Disadvantaged Business Program. In addition, OMWI participates in policy and procedure development to ensure a fair representation of minority, women, veteran-owned, and small disadvantaged firms in the FDIC contracting, asset purchaser, and investor programs. OMWI publicizes and explains its activities and programs through conferences, seminars, educational activities, minority, veteran-owned, and women targeted publications about FDIC contracting opportunities and other outreach.

Assessing the Need for Contractors at FDIC

Throughout the Financial Crisis and Great Recession, the FDIC experienced a significant increase in the number and size of financial institution failures leading to increased workloads for DRR and other divisions and offices. As a result, the FDIC has relied heavily on contractors to address failing and failed institutions, as well as other needs. This approach is consistent with the FDIC's established business model for resolutions and receivership management which relies on time-limited appointments of contractors and staff to handle major upticks in workload.

With the current economic and financial sector improvements, the FDIC is trending towards gradual downsizing as financial institution failure decreases from the 2010 high. However, there is and will continue to be many contracting opportunities at the FDIC as there continues to be bank failures (more than 50 in 2012), and as the FDIC assumes additional oversight responsibilities through Dodd-Frank legislation.

Understanding the FDIC Service Categories

Since 2008, the FDIC has generally solicited contractor services to provide products and services that include, but are not limited to, the twenty-three (23) service categories listed below.

1. Receivership Assistance

Receivership Assistance contractors provide technical expertise to manage and facilitate the overall financial institution resolution. This expertise includes a full range of closing support functions, such as assistance with facilities, asset management, claims, investigations, settlement, employee benefit plans, financial closing processes, personnel administration, franchise marketing, branch marketing, and trusts.

2. Temporary Staffing

Temporary Staffing contractors provide receivership support through staffing and payroll services. These services include hiring failed bank employees selected by the receiver, processing payroll, paying wages and employer taxes, terminating personnel, managing personnel, maintaining records, providing benefits, administering any retention payments and plans, hiring additional staff, providing on-site managers, and hiring agents. Additional responsibilities may include providing staffing services to bank subsidiaries in the hospitality, real estate, construction, leasing, utilities, brokerage, insurance, and financial service industries.

3. Business Information System Services

Business Information System Services contractors provide back-office information technology support during pre-closing and closing activities. These information technology services include gathering and analyzing data, mapping data from a financial institution's applications to FDIC's applications, ensuring that data integrity and consistency are maintained in the conversion, processing and reporting data from a failed financial institution, reconciling subsidiary systems to financial systems assigned, researching and resolving discrepancies, and providing reconciled data and reports, and generalized IT support to other FDIC functional areas at the closing.

4. Real Estate Property Management and Disposition

Real Estate Property Management and Disposition contractors prepare owned real estate properties (mainly acquired at the failure of financial institutions) for stabilization, revitalization and disposition, with the goal of achieving the highest market value. Management and disposition services include developing a plan to manage owned real estate properties prior to bank closing; researching potential owned real estate property; ensuring that the FDIC is the owner of the owned real estate property and that title can be conveyed; securing and managing the owned real estate property; handling property taxes owed and tax valuations; and finally, disposing of owned real estate property through the marketing, selling, and closing phases.

5. Real Estate Appraisal and Review Services

Real Estate Appraisal and Review contractors provide real estate appraisals as well as comprehensive and comparative evaluation services. These services include appraising underperforming or nonperforming collateralized real estate assets; appraising real estate prior to and during bankruptcies and foreclosures; and providing valuations services, such as ordering, implementing, and monitoring valuation work.

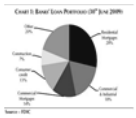
6. Financial Advisors (to value loan portfolios and/or securities)

Financial Advisor contractors provide a full range of financial advisory services to structure assigned FDIC note/debt instruments to achieve the highest potential value. These services include presenting a decision-making framework by developing and analyzing FDIC note/debt structures, evaluating and pricing structures, advising on market expectations, providing advice on accounting issues, proposing pre-packaged portfolios, and providing in-depth review and analysis of each loan included in the portfolio under receivership.

7. Due Diligence (to review loan portfolios)

Due Diligence contractors assist in the valuation of portfolios of assets as well as mortgage servicing rights. This assistance includes designing a due diligence process in order to review, analyze, and maintain loan/asset documents for the purpose of delivering documents to the FDIC and designated parties; assessing current market conditions; providing a range of liquidation values for each product type in the valuations reports; providing an estimated probability of default and loss given for each portfolio type; and providing a rough estimate about the percentage of losses expected on an annual basis.

8. Financial Advisors (to market and sell securities, mortgage servicing rights, notes, and loan portfolios)



Financial Advisor contractors provide a full range of financial advisory services. These include financial analysis, valuation, monitoring management, and/or coordinating assistance to third party contractor(s); and the management, sales, and disposition of assigned assets. Contractor services also include overseeing re-disposition activities (data assessment, asset-level due diligence, valuation, and disposition strategy); implementing disposition strategy; marketing and consummating the disposition strategy; and providing periodic marketing analysis briefings.

9. Web-Based Asset Marketing

Web-Based Asset Marketing contractors provide Internet marketing of various types of assets to the largest number of interested parties using the Internet. These contractors also provide a secure web-based platform that allows customers to conduct online due diligence and bidding that supports FDIC in the marketing, analysis, and monitoring of asset sales.

10. Auction Services (for Furniture, Fixtures, and Equipment)

Auction Services contractors provide online and live auction services to facilitate the sale of failed financial institution furniture, fixtures, and equipment. These services include performing due diligence, valuing assets, marketing, overseeing the sale(s), maintaining records and reports, providing monthly reports, and distributing assets upon sale.

11. Loss Share Purchase and Assumption Agreement Oversight

Loss Share Purchase and Assumption Agreement contractors provide oversight, surveillance, and compliance monitoring for the loss share agreements between the FDIC and the purchasing financial institution of a portfolio of loans. These services include preparing a monitoring plan, conducting compliance visits, conducting loan loss analysis reviews, and providing recommendations regarding the adequacy and level of FDIC loan loss reserves for the transactions, preparing reports and coordinating with third party contractors, and providing assistance with structuring loss share arrangements.

12. Loan Servicing and Loan Management

Loan Servicing and Loan Management contractors provide loan servicing systems and oversight as well as experienced loan management personnel to manage performing and non-performing loan portfolios. The portfolios of loans may include agency conforming mortgages, reverse mortgages, Alt-A mortgages, sub-prime mortgages, private label residential mortgage and commercial mortgage securitizations, commercial loans, construction and development loans, and other assets the FDIC may be involved with. These contractors also collect and ensure the timely payment of interest and principal from borrowers.

13. Loan Servicing Oversight

Loan Servicing Oversight contractors conduct service reviews, report any identified weaknesses, and recommend strategies for improvement. Services also include performing oversight and review of a failing institution's internal practices, policies and procedures for servicing of loans held in portfolio(s), securitized loans, loans serviced for others, and other assets the FDIC may be involved with.

14. Accountants

Accountant contractors provide accounting services to support the receivership program. These services include performing cashier and wire operations, accounts payable, bank account control unit (oversees funds that are not controlled by the FDIC), and reconciliations.

15. Consultants (for government guaranteed loans, construction loan management, and credit card portfolios)

Consultant contractors provide expertise in the area of Small Business Administration (SBA) loans and advise on the management, guarantee status, nature, collateralization, improvement, and disposition of the SBA loan portfolios. Contractor services include analysis of loan portfolios, construction risk management, funding management, budget control, construction project management, loan workout and settlement services, property preservation services, and providing credit card portfolio oversight to minimize primary ongoing risk factors.

16. Underwriting

Underwriting contractors purchase corporate bonds, commercial paper, government securities, municipal general-obligation bonds, loans, or other securities for resale to investors.

17. Forced Place Insurance

Forced Placed Insurance contractors provide insurance broker services. They provide placement of the coverage and the related administration to the FDIC in all of its capacities for property acquired at financial institution closings, and they provide replacement coverage and a risk control plan. Forced Place Insurance contractors provide all labor, personnel, supplies, materials, equipment, and supervision necessary to perform their tasks.

18. Trustee and Document Custodian

Trustee and Document Custodian contractors review loan portfolios and certify that the loans constituting the pools of mortgages are represented by the documents in custody. They also oversee and carry out the responsibility to use trust assets according to the provisions of their trust instruments.

19. Subsidiary Management

Subsidiary Management contractors manage and operate subsidiary corporations. They make appropriate and timely decisions related to corporate governance, management and oversight of operations, asset and franchise marketing, liquidation of assets, resolution of liabilities, and the dissolution of the subsidiary.

20. Environmental Assessment Services

Environmental Assessment Services contractors evaluate and interpret the environmental condition of a failed institution's assets, specifically real property, to help the FDIC determine the best asset management and disposition strategy. Services include performing due diligence and site services for real property in receivership; completing environmental checklist and

Phase 1, Phase II, and Phase III assessments; obtaining photographs; and completing a narrative summarizing the contractor's interpretation of the property's existing environmental condition with regard to special resources and environmental hazards.

21. Investigation Services

Investigation Services contractors provide pre-closing and post-closing support with investigations and/or forensic accounting. These services assist the FDIC in documenting claims against third parties for the benefit of the receiverships of failed financial institutions. Services include gathering and analyzing documents, interviewing failed bank employees, analyzing complex accounting issues, identifying potential criminal activity, developing investigation and status reports, documenting and developing claims, recommending pursuit of claims, and providing litigation support.

22. Call Center Services

Call Center Services contractors provide customer and call center communication services at failed financial institutions. Services include providing turnkey service of telephone representatives, telecommunications equipment, and network services (which includes furnishing all necessary facilities, personnel, equipment, technology, toll free telephone numbers, supplies, and services necessary); providing call processing equipment for the purpose of responding to calls from failed financial institution customers and other financial institutions; and responding to events that may arise from the interruption of normal banking operations.

23. Retirement Plan Administration, Audit, and Termination Services

Retirement Plan Administration, Audit, and Termination Services contractors provide ongoing management, consulting, oversight, and review of an institution's stock options and retirement plans in receivership. Services also include terminating services upon transferring the plan to another administrator.

Marketing to the FDIC: Self-Assessment

When marketing to the FDIC, you must be able to define what you can deliver and how you can meet the needs of the FDIC as a prospective customer. To do this, you need:

- A SAM registration.
- A strong 1-2 page capabilities statement that clearly describes your products and services.
- A strong record of past performance with references.

If you don't have these critical pieces, carefully prepare them before engaging the FDIC. Be sure to plan how you can most effectively market to the FDIC. Carefully review the Service Categories and think about the value you can bring to the FDIC, also called your "value proposition."

To get a better handle on your value position, answer these questions:

- What does your organization do?
- Who within the FDIC has a requirement for your product or service?
- How does your business help the FDIC meet its goals and objectives?
- What are some examples of customers your business has assisted in the past? What results did you get? Are they willing to provide a reference?
- What appeal did your product or service have that caused customers to choose you in the past?

After understanding your value position:

- Evaluate why the FDIC would buy your product or service.
- Get information on the FDIC's spending trends, and look at its mission and goals.
- Review the Minority and Women Outreach Program (MWOP) web site along with the *Acquisition Policies and Procedures* which describes the FDIC's unique procurement practices. As a non-FAR agency, the FDIC does not follow the same procedures as most government agencies.
- Get the FDIC's organizational chart and understand how the organization is structured and who the buyers are.

When an opportunity presents itself:

- Understand your business' value relative to the opportunity, i.e., can you do it yourself, or should you team with another company? Would partnering with another company increase your value proposition over another team's solution?
- Does your team uniquely solve the FDIC's problem?
- Is it the right job for your business?
- Do you fit within one of the 23 Service Categories which constitutes the majority of FDIC contract dollars spent?
- Does your past performance convey confidence that you can do the job?
- What risks are involved and how would they would be mitigated?
- Who else would bid on this type of opportunity and how would you rank your business against theirs?

Key Takeaways from This Module

- The FDIC is responsible for managing the insurance fund used to protect the failed financial institution's depositors and to minimize all losses not protected by deposit insurance.
- As the financial system improves from the 2007-2010 crisis, the FDIC's priorities have changed, and opportunities have evolved with added responsibilities from Dodd-Frank Act.
- FDIC continues to rely heavily on contractors to address failing and failed financial institutions and looks specifically to work with small businesses.
- Before you spend time and resources marketing to the FDIC, carefully review the 23 Service Categories to assess the opportunities and need for your services.
- Understand and further develop your business' value proposition before marketing to FDIC.

Sources and Citations

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