Chapter Eighteen -- Epilogue

The RTC, which was created in 1989 to manage and sell failed savings associations, officially closed on December 31, 1995. All remaining assets and liabilities were transferred to the FSLIC Resolution Fund (FRF), which was managed by the FDIC.

Table 18-1

1994 - 1995: RTC at a Glance
($ in Millions)

	12/31/94	12/31/95	Percent Change
Number of Conservatorships at the beginning of the year	63	1	-98.41%
Number of Conservatorships added during the year	0	0	0.00%
Thrifts in the ARP Program*	2	2	0.00%
Total of all thrift takeovers	2	2	0.00%
Conservatorships resolved during the year	62	1	-98.39%
Thrifts in the ARP Program*	2	2	0.00%
Total of thrift resolutions	64	3	-95.31%
Conservatorships at the end of the year	1	0	-100.00%
Total Assets at takeover			
Conservatorships	$0	$0	0.00%
Thrifts in the ARP Program	$129	$426	230.23%
Total	$ 129	$426	230.23%
Estimated Losses on thrifts taken **	$15	$63	320.00%
Estimated Losses as a Percent of Total Assets	11.93%	14.79%	23.97%
Assets in Liquidation			
Conservatorships	$2,067	$0	-100.00%
Receiverships	$22,900	$7,689	-66.42%
Total	$24,967	$7,689	-69.20%
RTC Staffing	5,899	3,147	-46.65%

*Thrifts placed into the ARP program are included for clarity, although they were never placed into the conservatorship program.
**Losses for all resolutions occurring in this calendar year have been updated through 12/31/95. The loss amounts are routinely adjusted with updated information from new appraisals and asset sales, which ultimately affect projected recoveries.

Source: RTC August 1989/September 1995 Statistical Abstract (Amended April 1996) and Reports from FDIC Division of Research and Statistics and an April 4, 1996 addendum.

Notable Events. The RTC ceased operations on December 31, 1995, and transferred all employees, remaining assets, liabilities, and responsibilities to the FDIC. During its lifetime, the RTC resolved

747 thrift institutions, including 706 conservatorships. Since its inception through December 31, 1995, the RTC had disposed of assets with a book value of $455 billion, or nearly 98 percent of the approximately $465 billion (book value) in assets for which it had been responsible.

S&L Resolutions. In 1995, the RTC resolved three thrifts. At the start of 1995, one thrift with total assets of $2.1 billion was in the RTC's conservatorship program. No new thrifts entered the program during 1995; and the one remaining thrift was subsequently resolved, leaving no thrifts in the conservatorship program at the end of 1995.

In 1995, all three thrift resolutions were purchase and assumption (P&A) transactions, and all deposits were transferred to the acquirers. The three thrifts had total assets of $1.7 billion.

Table 18-2

Conservatorships and Receiverships

In Conservatorship at 12/31/94	1
Conservatorships added in 1995	0
Subtotal	1
Conservatorships resolved in 1995 (New Receiverships)	1
Conservatorships remaining 12/31/95	0
Receiverships as of 12/31/94	744
New Receiverships that were previously Conservatorships in 1995	2
New Receiverships that were resolved through ARP in 1995	1
Total New Receiverships during 1995	3
Total Receiverships as of 12/31/95	747
Source: RTC August 1989/September 1995 Statistical Abstract (Amended April 1996).	

Payments to Depositors and Other Creditors. In 1995, there were three resolutions with total deposits of $1.8 billion in 227,980 deposit accounts. None of the three resolutions was a payoff.

Of the 747 insured thrift failures since the RTC began operations in August of 1989, 497 were P&A transactions, 92 were payoff transactions, and 158 were insured deposit transfers.

Asset Disposition. At the beginning of 1995, the RTC held $25 billion in assets from savings and loan associations in receivership and conservatorship. Assets acquired during the year through conservatorships, other resolved institutions, and putbacks or repurchases totaled $1.2 billion for the year. Losses and collections totaled $18.5 billion for the year. At the end of 1995, the RTC's remaining inventory of assets in liquidation totaled $7.7 billion. Table 18-3 shows the RTC's assets in liquidation and chart 18-1 shows the asset mix.

Table 18-3

1995 RTC End of the Year Assets in Liquidation

($ in Billions*)

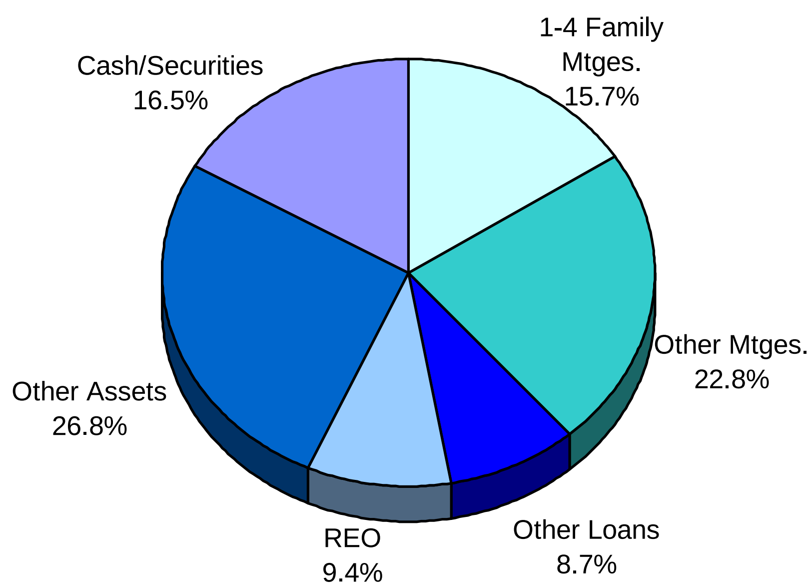
ASSET TYPE	12/31/94 TOTAL BOOK VALUE	ASSETS ACQ=D DURING THE YR.	1995 COLLEC-TIONS	1995 LOSSES	12/31/95 TOTAL BOOK VALUE	MEMO ITEM
1-4 Family Mtges	$4.8	$0.2	$2.9	$1.6	$0.5	$0.7
Other Mtges	6.5	0.4	3.5	2.0	1.4	0.1
Other Loans	2.2	0.0	1.1	0.6	0.5	0.0
R/Estate Owned	2.1	0.0	0.9	0.4	0.8	0.0
Other Assets	6.0	0.0	1.3	1.5	3.2	0.0
Cash/Securities	3.4	0.6	3.2	-0.5	1.3	0.5
Total	**$25.0**	**$1.2**	**$12.9**	**$5.6**	**$7.7**	**$1.3**

MEMO ITEM: Assets transferred from conservatorship to receivership. Does not affect total of assets in liquidation.
*Totals may not foot due to rounding differences.

Source: RTC August 1989/September 1995 Statistical Abstract.

Chart 18-1

1995 RTC End of Year Asset Mix



Source: RTC August 1989/September 1995 Statistical Abstract.

MERGING THE AGENCIES

Section 6 of the RTC Completion Act of 1993 provided that, among other duties, an FDIC/RTC Transition Task Force (Task Force) was to "examine the operations of the Federal Deposit Insurance Corporation and the Resolution Trust Corporation to identify, evaluate, and resolve differences in those operations to facilitate an orderly merger of such operations." The Task Force referred to that task as a review of "best practices." It approached that effort as a means of ensuring that the FDIC would obtain as much benefit as possible from the experiences of the RTC over the past several years.

BEST PRACTICES TASK FORCE DUTIES:

1. Examine the operations of the FDIC and the RTC to identify, evaluate, and resolve differences in those operations to facilitate an orderly merger;
2. Recommend which of the management, resolution, or asset disposition systems of the RTC should be preserved for use by the FDIC;
3. Recommend procedures to be followed by the FDIC and the RTC in connection with the transition which will promote coordination between the corporations before the sunset and an orderly transfer of assets, personnel, and operations;
4. Evaluate the management enhancement goals applicable to the RTC under Section 21A(p) of the Federal Home Loan Bank Act and recommend which should apply to the FDIC; and
5. Evaluate the management reforms applicable to the RTC under Section 21A(w) of the Federal Home Loan Bank Act and recommend which should apply to the FDIC.

While the RTC had, essentially, a single function—resolving failed thrifts and selling their assets—the FDIC had significantly broader functions: insuring the deposits of all banks and thrifts; administering the Bank Insurance Fund (BIF), the Savings Association Insurance Fund (SAIF), and the FSLIC Resolution Fund (FRF); supervising approximately 7,200 state chartered institutions that are not members of the Federal Reserve System; regulating state chartered institutions and institutions insured by the FDIC; and resolving certain failed or failing institutions and liquidating their assets. Only the last of those duties overlapped with the RTC.

As a first step in the process, individual task groups (working for the Task Force) prepared a comprehensive list of operational differences in their respective areas of responsibility and highlighted differences that were significant enough to warrant best practices review. The Task Force concluded that 76 operational differences between the two corporations met those criteria. The differences fell into several broad categories, as shown:

Table 18-4

Best Practice Reviews

Category	**Number**
Asset Management and Sales	21
Resolutions	2
Legal	5
Finance	9
Contracting	14
Information Resources Management	6
Minority and Women's Programs	5
Contractor Oversight and Surveillance	3
Employee and Contractor Ethics	4
Records Management	3
Other	4
Total	**76**

Source: Report to Committee on Banking and Financial Services, U.S. House of Representatives and Committee on Banking, Housing, and Urban Affairs, U.S. Senate, June 30, 1995.

Each task group was asked to conduct the necessary best practice review of operational differences within its area of responsibility in accordance with a standard methodology developed by a review committee. Each best practice review consisted of a comparative analysis of the different RTC and FDIC practices, a recommendation for post-sunset FDIC operations, and the rationale behind the recommendation. The task groups were instructed that they need not recommend adoption of a practice in its totality, but could recommend modification of a current practice, combining the particular strengths of both the RTC and the FDIC practices.

In most cases, the Task Force affirmed the best practice recommendations of the task groups, which were generally reached by consensus between senior FDIC and RTC managers. Overall, there was a roughly equal split in the conclusions of the best practice reviews between the continuation of the FDIC practice and adoption of the RTC practice, with some reviews recommending a melding of the current practices in both corporations. In sum, all or parts of 50 RTC practices were recommended for adoption by the FDIC.