FDIC

Federal Deposit Insurance Corporation
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Financial Institution Letter
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MONITORING THE USE OF FUNDING FROM FEDERAL FINANCIAL STABILITY AND GUARANTY PROGRAMS

Summary: State nonmember institutions should implement a process to monitor their use of capital injections, liquidity support and/or financing guarantees obtained through recent financial stability programs established by Department of the Treasury, the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve. In particular, the monitoring processes should help to determine how participation in these federal programs has assisted institutions in supporting prudent lending and/or supporting efforts to work with existing borrowers to avoid unnecessary foreclosures. The FDIC encourages institutions to include a summary of this information in shareholder and public reports, annual reports and financial statements, as applicable.

Distribution:
FDIC-Supervised Institutions

Suggested Routing:
Chief Executive Officer
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Highlights:

- A number of federal programs have recently been instituted to promote financial stability and improve liquidity conditions for insured depository institutions. These initiatives consist of direct capital injections, federal guarantees on financing, and expanded borrowing facilities.

- Given that government funds, capital and guarantees are being used to support banking institutions, banks are expected to document how they are continuing to meet the credit needs of creditworthy borrowers, as described in the November 10, 2008, "*Interagency Statement on Responsible Lending*" (see FIL-128-2008).

- The FDIC expects that state nonmember institutions (or their parent companies) will deploy funding received from these federal programs to prudently support credit needs in their market and strengthen bank capital.

- In order to assess how participation in these federal programs has helped the institution support lending and/or support efforts to work with existing mortgage borrowers to avoid unnecessary foreclosures, FDIC-supervised institutions should implement a process to document how these funds were used. State nonmember institutions should describe their utilization of this federal funding during bank examinations and are encouraged to summarize such information in published annual reports and financial statements. Including such information in public reports will provide important information for shareholder and public evaluation of participation in these programs.