Joint efforts of FDIC-FSLIC to contain problems represented in the savings & loan industry:

Remarks by

L. William Seidman

Chairman

Federal Deposit Insurance Corporation

Before

FDIC-FHLBB PRESS CONFERENCE

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Good afternoon, and thank you for coming. This afternoon we plan to provide you with additional information on the joint effort that begins today to contain the problem represented by the insolvent institutions in the savings and loan industry.

Let me start by thanking Danny and his staff for their hard work and dedication in working on these problems in the past, and their willingness to cooperate in the future.

This effort, as you know, is one part of the comprehensive program announced yesterday by President Bush to maintain and strengthen the government's deposit insurance program. We believe the President's plan is a sound one -- it offers a viable way to resolve existing problems in the thrift industry and to guard against the recurrence of such problems in the future.

We at the FDIC are pleased to join with Chairman Wall and his staff, and the other regulators in this team effort, and we'll do all we can to ensure its success.

I want to emphasize, however, that, while the plan is sound, it is only a first step. Its purpose is to assure that:

--The institutions involved operate in as safe a manner as possible given their financial condition.

--The losses being incurred by these institutions are curtailed where this can be achieved, and

--A plan is established for an orderly resolution of their problems.

Our ability to act with respect to these institutions will be limited until Congress provides the funds to structure a permanent resolution in each case. Because of this, it is urgent that the Congress act promptly to provide the resources the President has requested.

I'd like to comment briefly on one element of the President's overall restructuring proposal, the recommendation to increase the cost banks pay for deposit insurance.

Given the losses we have experienced over the past few years, the FDIC believes that increased premiums are a necessity.

Recently, we proposed in our study of deposit insurance that a flexible premium structure be designed so the FDIC could recover recent losses. The premium increase proposed by the President will do just that, it will help us replenish the FDIC fund, which we estimate has declined to about $14 billion after handling last year's record $80 billion in troubled bank assets.

While bankers, understandably, are not happy about the premium increase, they should recognize the proposal is not to permanently raise the insurance assessment. When the FDIC fund returns to a more acceptable operating level, of about $21 billion or 1.25 percent of insured deposits, we will begin again rebating a portion of the premium income.

These rebates could begin as early as the mid 1990s, given current estimates.

Finally, in this operation, we will be looking for ways to handle these problems, not back at what has been done.

That concludes my comments I believe Chairman Wall would like to make a statement before we open this up to questions.

Before he begins, I'd like to note that Danny has been piloting the Bank Board and FSLIC while a tempest has raged. And he has managed to keep the ship intact while others would have permitted her to flounder. We at the FDIC are looking forward to working with Chairman Wall and his able staff.