From the New Deal to the New Millennium

Remarks by
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Boston is as charming and as graceful a city as one could wish, in large part because of those sections of the city built in -- and for -- an earlier time. It is a city built in the 1700s and 1800s, which today must serve late twentieth century populations and traffic. Demands on cities change -- just as demands on institutions change. In both cases, we have to find ways to accommodate change.

Of course, that message is nothing new for savings banks, and savings and loan associations. I am not talking about the last 15 years alone. Savings banks were originally created in the early nineteenth century as thrift institutions to teach the poor how to save -- but they soon went beyond that original purpose when savings bank managers found that -- in order to survive -- they would have to diversify and build a larger depositor base. Savings and loans have their origins in building and loan societies. These were cooperative ventures to finance -- and construct -- housing for members. That limited purpose, too, was expanded when S&Ls found that, to survive, they had to grow and become more of a financial institution than a self-help organization.

In changing, savings banks and S&Ls responded to demands -- demands for multi-family housing in Brooklyn and Queens, demands for family homes from Cape Cod to my hometown of Murfreesboro, Tennessee, to San Diego. In responding to demand, from the 1940s on, you financed much of the building of suburban America. You made it possible for tens of millions of Americans to purchase homes. That might not have happened had not savings banks and S&Ls broadened their horizons.

to move the organization in that new direction. In business, these objectives are often achieved through the use of a strategic plan, an operating plan, and a reorganization. Together, these three elements form a foundation for change. Those were three elements that I have devoted considerable time to defining and initiating.

We developed and implemented a strategic plan -- for the first time in the 60-year history of the FDIC. There is an old saying: "If you don't know where you are going, any road will take you there." With the strategic plan as a guide, everyone at the FDIC knows where the organization should be going. We are enhancing the FDIC's skills at identifying, monitoring, and addressing risks to which depository institutions -- and their insurance funds -- are exposed, while at the same time finding ways to increase productivity, efficiency, and cost savings.

Our mission is just the same today as it was when Congress created us in 1933: to maintain stability and public confidence in the nation's banking system. It is, however, the way in which we are accomplishing that mission that is changing.

We put together an operating plan -- the specific initiatives that will get us to where must go. As of now, we have initiated approximately 150 projects under that operating plan. One of those projects is to define the FDIC's "core" staffing level -- that is to say, the number of people we will need to operate the organization once we have liquidated the remaining assets from the bank and thrift failures of the late 1980s and early 1990s and instituted management reforms to make the organization more efficient. I cannot say today precisely what the core number of staff will be, but it will be far less than the number of staff we now have.

Finally, we reorganized the FDIC, first, by establishing a management team to supervise the projects in the operating plan and to assure that all parts of the FDIC work together, and, second, by creating a Division of Insurance to monitor risks and recommend responses to problems, so that you will have information on risks to banks early enough to do something about it before there are losses to the insurance funds.

Part of this new direction is reviewing supervision and examinations. I want to reduce the burden of regulation that falls disproportionately on smaller institutions. One way to do that is to eliminate or reduce requirements that are not essential to doing our job. With 41 complete regulations and 76 written policy statements with many subparts, that is no small task, but we are looking at every one of them. Another way to reduce the burden is to get our examiners in and out of banks faster, while still assuring the thoroughness of our examinations.

I want to spend a minute describing our efforts to do that. On the safety and

from command-and-control organizations to one in which everyone is connected through information technology. With computer networks linking all employees to top management, we are experiencing a transformation in what management means -- from command to coordination, from hierarchy to team building.

No one can say exactly what is to come from this shift. As my favorite philosopher Yogi Berra observed, "the future isn't what it used to be." It seems to me, however, that the people and organizations who are innovative, visionary, and creative -- who look at what they do with fresh eyes and an open mind -- the kind of people who transformed savings banks and S&Ls from self-help organizations into financial institutions -- have what it takes to manage change successfully. I intend for the people of the FDIC to be among them.

I started this morning by talking about public confidence and, to close the circle, I will finish by talking about confidence, too -- in particular, confidence in relation to the FDIC's efforts to assure a safe and sound Savings Association Insurance Fund.

I do not have to tell you how many times I have warned that the undercapitalization of the SAIF is not just a thrift problem, it is a problem for the entire financial system. The safety net for our financial system rests ultimately on confidence. Confidence in government's backing for the safety net was a major reason that the financial troubles of the 1980s and early 1990s did not lead to widespread panic and economic disarray. That confidence could be damaged if government is perceived as no longer willing to support one or more components of the safety net. Deposit insurance is essential to the fabric of that safety net. Bank customers and thrift customers do not know the difference between the Bank Insurance Fund (BIF) and SAIF. Indeed, Congress insisted that the SAIF become "FDIC-insured" precisely to assure confidence in its future.

Legislation that would capitalize SAIF may at this moment be under consideration in Congress. Therefore, there is no better time to remind ourselves that the failure of the SAIF would undermine the confidence Americans have in the FDIC as a source of stability for the financial system and would call into question the government safety net for financial institutions. The problems of the SAIF are the residue of the S&L crisis of 1980s and early 1990s. The time has come to put the past behind us.

I am strongly committed to implementing a solution to the SAIF's problems as soon as possible and to a merger of the BIF and the SAIF as soon as practicable -- but by a date certain. I favor this approach because it would assure the immediate soundness of the SAIF, the confidence of the public in the safety net, and the stability of the financial system. The sooner this solution is in place, the better for all of us.

Jay Rosenstein, Senior Writer-Editor, Office of Corporate Communication. Jay originated the concept of a consumer newsletter, which resulted in the FDIC Consumer News. There are more than 45,000 subscribers to this publication, which has been widely praised, by US News and World Report and Parade magazine, among others. Readers write directly to Jay for help with problems and answers to a wide variety of questions, and thereby benefit from direct access to the agency. Readers do not see the intense activity between and among staff members from Corporate Communications, the Division of Compliance and Consumer Affairs, and the Legal Division that accompanies the production of the FDIC Consumer News. With consummate skill and diplomacy, Jay resolves disagreements and produces -- under great time pressures -- a publication with the highest possible level of accuracy and clarity.

Michael R. Spaid is special assistant to the Director, Division of Resolutions. Michael created a daily report on capital markets activities for the Chairman's office and served as the team leader of an interdivisional effort to investigate the real estate subsidiaries of failed institutions. It is hard not to be impressed by the efficiency of DOR's operation. Michael keeps the machinery humming through his extremely hard work and dedication to the Corporation and its mission.

Helen Belletti, Roenna Bland, Arnold Kunkler, Ellen Lanahan, Linda Maldonado, and Dawne Singer, the team of Training and Consulting Services Branch employees responsible for the development and implementation of the Management Excellence Program. In 1994 and 1995, more than 100 executives participated in training, as did 320 managers, 350 supervisors and nearly 300 team leaders. Next year, 1,700 people are scheduled to participate in this training. This program has had a major impact on developing and enhancing management skills, contributing to a Corporate culture, and, in turn, assisting in meeting the Corporation's strategic and operating goals.

Connie Brindle, Joseph Dobbins, Jeff Owens, of the Division of Finance; and Rita Pozza, of the Division of Information Resources Management, the team of employees who developed and implemented the move to quarterly electronic billing and collections from financial institutions and the electronic refund of excess Bank Insurance Fund collections that resulted from the recapitalization of the Fund. That electronic billing and collection process reduces the regulatory burden on financial institutions and provided enhanced cash management and reporting capabilities. In a very direct way, this team affected the way the FDIC does its business and the way it is perceived by financial institutions.

I would also like to thank Janet Welch from our Office of Personnel Management for assisting me with these presentations. Please join me in applauding all our honorees, today.

In closing, I would just like to say that all of the award recipients inspire us by their devotion to public service. There is no better time than the holiday season to honor them for that service and for me to thank all of you for your great service to the Corporation and the nation.

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