Federal Deposit Insurance Corporation

1988 Annual Report

The FDIC handled one of the most demanding assignments in the agency's history on Friday, July 29, 1988, when the 40 Texas bank subsidiaries of First RepublicBank Corporation were closed, consolidated into a bridge bank and sold to NCNB Corporation, Charlotte, North Carolina. All 40 offices opened as usual on the next business day, August 1, ensuring customers continuous uninterrupted service and access to their funds.

Employees from the Dallas Regional Office, Washington headquarters and other locations across the country met this logistical challenge with skill, flexibility and professionalism. Photographs of many of them appear throughout the pages of this report, which is dedicated to all who worked on the First RepublicBank project as representative of the countless employees who enabled the FDIC to meet the year's challenges.

FDIC Board of Directors

FDIC BOARD OF DIRECTORS: (From left) Comptroller of the Currency Robert L. Clarke, Chairman L. William Seidman, and Director C.C. Hope, Jr.

Federal Deposit Insurance Corporation
Washington, D.C.
August 29, 1989

SIRS: In accordance with the provisions of section 17(a) of the Federal Deposit Insurance Act, the Federal Deposit Insurance Corporation is pleased to submit its Annual Report for the calendar year 1988.

Very truly yours,

L. Wm Seidman

L. William Seidman
Chairman

The President of the U.S. Senate

The Speaker of the U.S. House of Representatives

L. William Seidman

L. William Seidman was elected Chairman of the Federal Deposit Insurance Corporation on October 21, 1985. Prior to his appointment to the FDIC, Mr. Seidman pursued an extensive career in the financial arena in both the private and public sectors. He was Dean of the College of Business of Arizona State University and a director of several organizations including the Phelps Dodge Corporation, Prudential-Bache Funds, United Bancorp of Arizona and The Conference Board. He has served as Co-chair of the White House Conference on Productivity, Vice-Chairman of the Phelps Dodge Corporation, Assistant to President Gerald Ford for Economic Affairs and Managing Partner of Seidman & Seidman, Certified Public Accountants, New York. He also was Chairman and a Director of the Federal Reserve Bank of Chicago, Detroit Branch. Mr. Seidman received an A.B. degree from Dartmouth College and earned an LL.B. from Harvard Law School. He also holds an M.B.A. from the University of Michigan. He is a member of the American Bar Association, the American Institute of Certified Public Accountants and several academic honorary fraternities including Phi Beta Kappa. He is the author of two books and numerous articles on business and tax subjects.

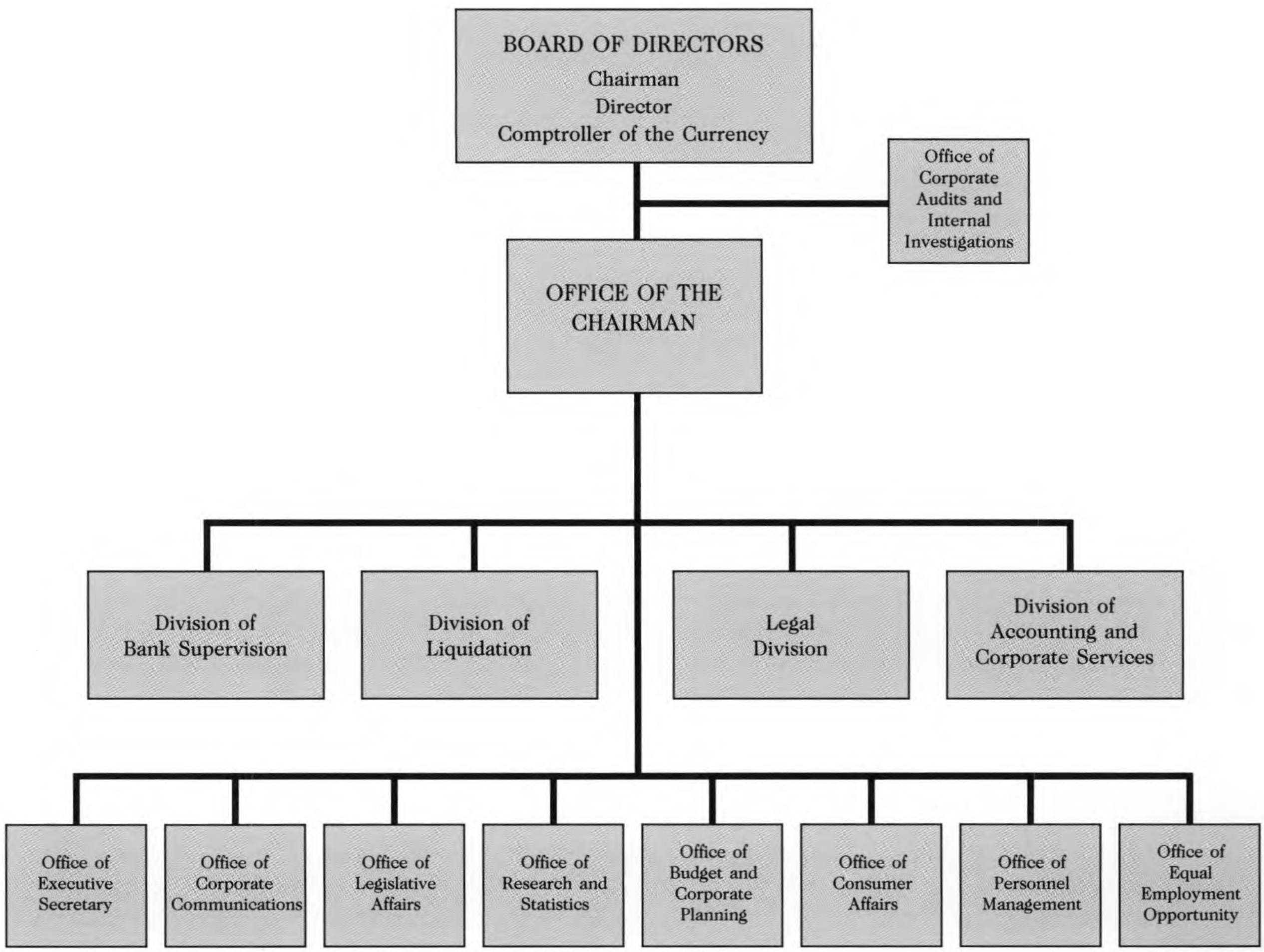
C. C. Hope, Jr.

C.C. Hope, Jr., was named to the Board of Directors of the Federal Deposit Insurance Corporation on March 10, 1986, confirmed by the Senate on March 27 and commissioned by President Ronald Reagan on April 7, 1986. Before his appointment to the FDIC, Mr. Hope spent 38 years at First Union National Bank of North Carolina in Charlotte, where he retired as Vice Chairman in 1985. Mr. Hope is a former President of the American Bankers Association and has served as Secretary of the North Carolina Department of Commerce. In the field of education, Mr. Hope is a trustee and former Chairman of the Board of Wake Forest University and has been Dean of the Southwestern Graduate School of Banking at Southern Methodist University. He holds a B.A. in Business Administration from Wake Forest University and has completed graduate work at the Harvard Business School and The Stonier Graduate School of Banking at Rutgers University.

Robert L. Clarke

Robert L. Clarke became the 26th Comptroller of the Currency on December 2, 1985, and simultaneously became a member of the FDIC's Board of Directors. Before his appointment, Mr. Clarke founded and headed the banking section at the Houston, Texas, law firm of Bracewell & Patterson. He joined that firm after completing his military service in 1968. The banking section prepared corporate applications and securities registrations, counseled management in expansion opportunities and the effects of deregulatory initiatives and represented institutions in enforcement matters. Mr. Clarke holds a B.A. in Economics from Rice University and an LL.B. from Harvard Law School. He is a member of the bars of Texas and New Mexico. He has served as a director for two state banks and has been active in a number of civic, political and professional organizations.

FDIC Organization Chart



FDIC Committee on Management

FDIC COMMITTEE ON MANAGEMENT: (From left, front row) Robert D. Hoffman, Mae Culp, L. William Seidman, Hoyle L. Robinson, and Janice M. Smith. (From left, middle row) Steven A. Seelig, David C. Cooke, J. Russell Cherry, Robert V. Shumway, Robert A. Dorbad, and Stanley J. Poling. (From left, back row) Beth L. Climo, Thomas E. Zemke, Paul G. Fritts, John L. Douglas, and Alan J. Whitney.

FDIC Officials

Deputy to the Chairman	David C. Cooke
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Acting Director, Division of Liquidation	Steven A. Seelig
General Counsel	John L. Douglas
Director, Division of Accounting and Corporate Services	Stanley J. Poling
Deputy to the Appointive Director	Robert V. Shumway
Special Assistant to the Appointive Director	Dean F. Cobos
Deputy to the Director (Comptroller of the Currency)	Thomas E. Zemke
Executive Secretary	Hoyle L. Robinson
Director, Office of Corporate Communications	Alan J. Whitney
Director, Office of Legislative Affairs	Beth L. Climo
Director, Office of Research and Statistics	William R. Watson
Director, Office of Budget and Corporate Planning	J. Russell Cherry
Director, Office of Corporate Audits and Internal Investigations	Robert D. Hoffman
Director, Office of Consumer Affairs	Janice M. Smith
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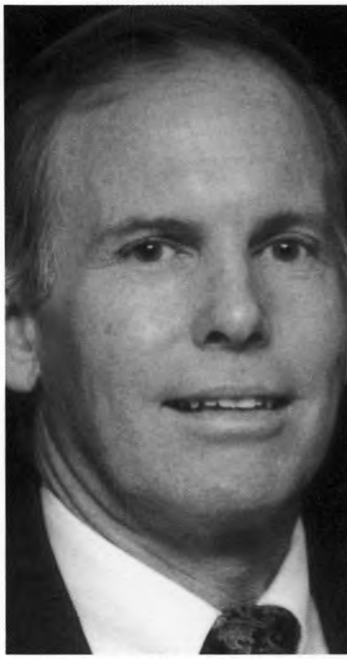

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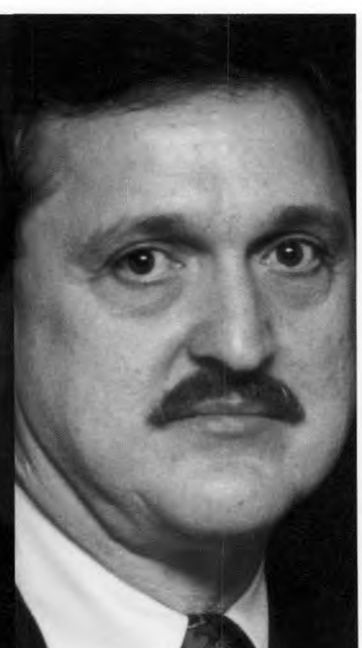

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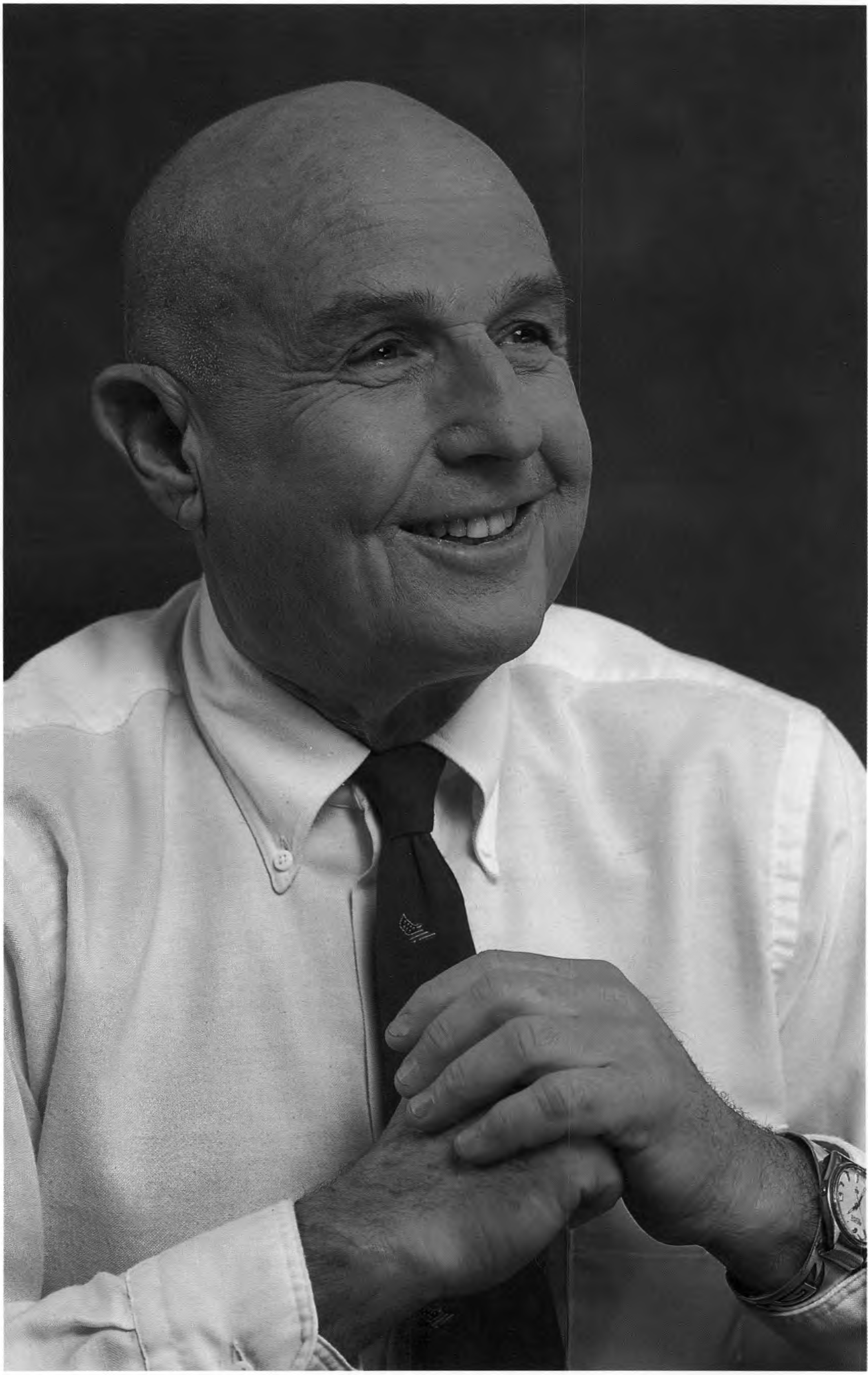
Chairman's Statement



The year 1988 produced the FDIC's first operating loss in its 55-year history. A record 200 banks failed and 21 assistance transactions were completed, including two of the most costly banking problems ever handled by the FDIC. The loss also represented the commitment of funds to handle certain large transactions scheduled for completion in 1989. Taken together, the FDIC handled more problem bank assets in 1988 than it did in its entire previous 55 years combined.

Despite these challenges, the Corporation came through 1988 in relatively good shape. The insurance fund declined 23 percent from $18.3 billion, but still ended 1988 with a strong $14.1 billion net worth. Cash and investments at year-end 1988 were essentially unchanged from 1987, totaling $16.2 billion.

Notwithstanding the record level of failures and assistance transactions, the FDIC's portfolio of assets acquired from failed and assisted institutions decreased sharply in 1988, ending the year with 106,000 assets with a book value of $9.3 billion, compared with 178,000 assets with a book value of $11.3 billion at year-end 1987. This reduction was achieved through the adoption of improved marketing strategies and new approaches to selling failed banks.

Fewer assets means more FDIC cash for dealing with bank problems, and less federal intrusion into the marketplace. Thus, our policy is that every asset we own is for sale at a fair price.

Our success in reducing the size of the existing asset portfolio was facilitated by keeping more failed bank assets in the private sector. A major factor in this achievement is the increased use of the "whole bank" purchase and assumption transaction. Of 164 purchase and assumption transactions completed in 1988, 69, or 42 percent, were whole bank transactions. We began using the whole bank transaction — so-called because an acquirer agrees to take essentially all of the assets of a failed bank, including its bad loans — in 1987, when 19, or 13.5 percent, of the 133 purchase and assumption transactions were handled on a whole bank basis. Strong marketing and asset management resulted in significant asset sales at or near current appraised values. Getting these assets back into the private sector at reasonable prices is the first step in helping troubled economies recover.

Even though we handled record failures and assistance transactions, improvements in personnel management, deployment and productivity enabled us to achieve an almost 11 percent net reduction in the FDIC staff in 1988. We ended the year with 8,060 employees, down from 9,098 a year earlier.

After reaching a historical high of 1,624 in mid-1987, the number of FDIC-insured problem banks declined by year-end 1988 to 1,406. This trend, which is continuing, is due to increased supervisory attention and to improvements in the economy of the Midwest.

Through more efficient and prudent use of staff resources, the FDIC's Division of Bank Supervision significantly increased the number of examinations conducted in 1988, and reduced the time between examinations. Total safety and soundness examinations increased 10 percent to 4,019 during 1988, and the number of commercial banks subject to FDIC supervision that had not been examined within three years declined. The Division also continued its enhanced recruiting and hiring efforts, attracting 284 new examiners to this challenging profession in 1988. An ambitious hiring program for 1989 is currently under way. We have also made strides in improving coordination with state banking authorities, further improving the overall bank supervisory process.

Although the economy in the Southwest has been showing signs of improvement, most failed banks again were located in Texas, Oklahoma and Louisiana in 1988. With 113 failures, including 40 subsidiaries of Dallas-based First RepublicBank Corporation, Texas alone accounted for more than half of the 200 banks that failed.

The two most costly transactions handled by the FDIC in 1988 involved First City Bancorporation of Houston, Texas, and First RepublicBank Corporation. For First City, the FDIC Board on April 20 approved a rehabilitation plan involving the sale of First City's 59 banking subsidiaries to a private investor group led by A. Robert Abboud. In the case of First RepublicBank, the FDIC initially provided financial assistance to the holding company's two largest banks. All of the banking subsidiaries eventually failed and were consolidated into a bridge bank. The FDIC Board of Directors on July 29 approved a financial assistance package to facilitate the bridge bank's acquisition by NCNB Corporation of Charlotte, North Carolina. Responding to the simultaneous closing and reopening of First Republic's 40 Texas banks over a single weekend was a logistical challenge for the FDIC. Staff responded admirably and all depositors were assured their funds were safe and available.

Along with these two sizable transactions, the FDIC in 1988 set up reserves for handling three problem banking organizations — MCorp of Dallas, Texas American Bancshares Inc., Fort Worth, and National Bancshares Corporation of Texas, San Antonio. (On March 29, 1989, the FDIC transferred the deposits of 20 insolvent commercial bank subsidiaries of MCorp to a newly chartered bridge bank.)

Although bank failures drew a lot of attention in 1988, many other important events occurred at the FDIC: We sold Capital Bank & Trust Company, Baton Rouge, Louisiana, which in 1987 became the first bridge bank established under authority granted to us that year by Congress; we assisted the Farm Credit Administration in the liquidation of a huge land bank in Jackson, Mississippi (the Farm Credit System's first such failure in its history); we sold a sizable portion of our stock in Continental Illinois National Bank and Trust Company, Chicago, for $277.2 million, reducing our ownership interest to below 50 percent for the first time; and we paid off the preferred shareholders of Franklin National Bank, which failed in 1974, essentially marking the conclusion of that notable receivership.

One of the most important projects completed in 1988 was our year-long study, *Deposit Insurance For the Nineties — Meeting the Challenge*. We undertook this comprehensive study because we realized that the deposit insurance system needs fundamental change if it is to continue to serve the purposes for which Congress created it over 55 years ago. Among the principal conclusions of the FDIC's study: a deposit insurance agency should be an independent, self-funded organization, operated as much as possible like a private sector institution; the insurer should be able to terminate deposit insurance promptly; and the insurer should be able to adjust insurance premiums, within limits, to reflect loss experience. Most of the FDIC's conclusions and recommendations would be incorporated into legislative proposals submitted to Congress in 1989 by President Bush.

In 1988, we introduced a new publication, *FDIC Banking Review,* which contains articles by our research staff and others on topics of current interest to the banking, academic and financial communities. In response to questions about deposit insurance, in 1988 we produced a videotape program, *FDIC Insurance — Protecting Your Deposits,* containing basic information about deposit insurance, which can be used by banks and consumer and community groups and in training FDIC employees.

Within the FDIC there were also milestones in 1988. James A. Davis, Director of the Division of Liquidation, retired after an outstanding 30-year career. His talents will be missed. We prepared to break ground for the FDIC's new Operations and Training Center in Arlington, Virginia. And we began the nationwide installation in all FDIC offices of a telecommunications network that will improve interoffice communication and help reduce our operating costs.

As is always the case, in 1988 our dedicated and skilled people made the difference. Here are two among many examples of the versatility and professionalism of our staff: To complete the multi-year project of integrating the FDIC's entire inventory of failed bank assets into the computerized Liquidation Asset Management Information System, on one Saturday in December you would have seen staff from our Knoxville, Houston, Costa Mesa and San Francisco offices helping our people at headquarters with the task of integrating over 19,000 assets from the Houston Consolidated Office.

When the 40 Texas bank subsidiaries of First RepublicBank Corporation were closed in a single evening, along with examiners we had hundreds of members of our liquidation, legal and accounting staffs spread across Texas. Helping the legal staff from Texas were lawyers and paralegals from Kansas City, Chicago, Atlanta, New York and San Francisco.

That's how we made it through a tough 1988 in good shape — with people who can and do rise to meet any challenge wherever and whatever it may be. As we face the two biggest issues ahead — deposit insurance reform and resolution of the thrift crisis — we shall continue to rely on their skills, flexibility and devotion to their job. My congratulations and thanks to all for a superb job.

L. Wm Seidman

FDIC Highlights 1988

Chronological Highlights

Feb. 11 — FDIC begins distributing *Pocket Guide for Directors* to chief executive officers of all insured banks

March 15 — FDIC issues proposed risk-based capital guidelines for public comment (see p. 11)

March 17 — FDIC Board of Directors approves assistance to subsidiary banks of First RepublicBank Corporation, Dallas, Texas (see pp. 9-10, 23-24)

April 6 — FDIC concludes negotiations on sale of Capital Bank & Trust Company, Baton Rouge, Louisiana, to Grenada Sunburst Systems Corporation, Grenada, Mississippi (see p. xiii)

April 20 — FDIC Board of Directors grants final approval to assistance plan for subsidiary banks of First City Bancorporation of Houston, Texas (see pp. 7-8)

May 19 — FDIC amends its rules and regulations covering minimum security devices and procedures, and Bank Secrecy Act compliance, to clarify their applicability to insured branches of foreign banks (see p. 39)

May 20 — FDIC helps Farm Credit Administration close Federal Land Bank of Jackson, Mississippi (see p. 19)

June 6 — FDIC retires remaining preferred stock of Franklin National Bank, New York City, substantially completing largest liquidation in agency's 55-year history

July 20 — FDIC Board of Directors preliminarily agrees to assist Texas American Bancshares Inc., Fort Worth, Texas, and National Bancshares Corporation of Texas, San Antonio, Texas

July 29 — New record is established for highest number of banks to fail in one day when the 40 Texas bank subsidiaries of First RepublicBank Corporation are closed and sold to NCNB Corporation, Charlotte, North Carolina (see pp. 10, 18, 23)

Aug. 2 — FDIC organizes Delaware Bridge Bank, National Association, to assume deposits and liabilities of First RepublicBank of Delaware, Newark, Delaware (see p. 10)

Aug. 16 — FDIC amends its Fair Housing regulations to eliminate home equity, home repair and other related types of loans from existing data gathering requirements (see p. 39)

Sept. 1 — FDIC adopts Regulation CC, implementing the Expedited Funds Availability Act of 1988

Sept. 9 — FDIC sells Delaware Bridge Bank, N.A., to Citibank (Delaware), New Castle, Delaware (see p. 10)

Oct. 12 — FDIC proposes a rule providing deposit insurance in the amount of $100,000 to each beneficial owner of a unit investment trust (see p. 40)

Nov. 7 — FDIC introduces *FDIC Banking Review* (see p. 31)

Nov. 10 — The Technical and Miscellaneous Revenue Act of 1988 becomes law (see p. 38)

Nov. 16 — FDIC issues Policy Statement urging banks to obtain annual independent external audit (see p. 11)

Nov. 18 — 1987 record of 184 failed banks is surpassed when First National Bank, Covington, Louisiana, becomes 185th bank to fail in 1988

Nov. 25 — FDIC issues for public comment a proposed regulation expanding definition of term "deposit" (see p. 40)

Nov. 30 — Chairman L. William Seidman announces completion of FDIC study, *Deposit Insurance for the Nineties — Meeting the Challenge* (see p. 31)

Dec. 3 — FDIC completes automation of all assets acquired from failed banks when Houston Consolidated Office's assets are integrated into Liquidation Asset Management Information System (LAMIS) (see pp. 17-18)

Dec. 8 — FDIC sells 55.2 million shares of common stock of Continental Illinois Corporation, reducing its interest to less than 50 percent for the first time

Dec. 14 — FDIC begins filling orders for *FDIC Insurance — Protecting Your Deposits*, a videotape about deposit insurance coverage (see p. 33)

Dec. 20 — FDIC issues final rule changing the deadline for insured U.S. branches of foreign banks to comply with limitations on country exposures from December 31, 1988, to 30 days' prior notice (see p. 39)

Statistical Highlights

Comparative Financial Information

(dollar figures in billions)
(year-end)

	1988	1987	1986
Income	$ **3.347**	$ 3.320	$ 3.260
Operations Expense	**.224**	.205	.180
Liquidation/Insurance Losses and Expenses	**7.364**	3.066	2.784
Net Income	**(4.241)**	.049	.296
Insurance Fund	**14.061**	18.302	18.253
Fund as % of Insured Deposits	**.80%**	1.10%	1.12%
Assets Held for Liquidation	**9.3**	11.0	10.9

Selected Year-end Bank Statistics

	1988	1987	1986
Total Insured Banks	**13,606**	14,289	14,837
Problem Banks	**1,406**	1,575	1,484
Bank Failures	**200**	184	138
Failed Agricultural Banks	**28**	56	57
Assisted Banking Organizations	**21**	9	7
Number of Failed Bank Receiverships	**848**	684	507

Operations of the Corporation

Division of Bank Supervision

The 1988 performance of the Division of Bank Supervision (DBS), along with the rest of the FDIC, was significantly affected by the new record of 221 bank failures and assistance transactions, including two of the largest cases in FDIC history, First City Bancorporation of Houston, Texas, and First RepublicBank Corporation of Dallas, Texas. The number of FDIC-insured problem banks remained relatively high at 1,406 as of year-end, although this number had declined steadily during the year after peaking at 1,624 during 1987. The DBS staff met these and other challenges during 1988 and continued to progress toward its main objectives: more prospective supervision and more frequent examination of banks. DBS is working toward these goals with a four-point program to increase staff, improve productivity, strengthen off-site monitoring and allocate resources more effectively. This program results in earlier recognition of potential problems and enhances DBS's ability to take quicker and more effective action to confront these problems.

During 1988 DBS completed a reorganization of the Washington office which resulted in the consolidation of several operating areas, more functional lines of authority and a reduction in staff. The reorganization was a natural outgrowth of the additional delegations of authority to act on certain applications, enforcement actions and other activities granted to the Division Director in 1987; some of these responsibilities were subsequently redelegated to the regional offices.

Under the reorganization, the Washington office of DBS now comprises three branches headed by Associate Directors who report directly to the Division Director. The Operations Branch has overall responsibility for supervising operating banks, including all problem banks, enforcement actions, the review of statutory applications and mergers, off-site monitoring and analysis and special supervisory activities.

The Policy and Administration Branch is responsible for establishing policies and procedures for the Division, directing program and evaluation activities, and providing administrative and automation support. The Branch also is responsible for the training sessions conducted at the Corporation's training facility in Rosslyn, Virginia.

The Failing Banks and Assistance Transactions Branch provides support and direction in the FDIC's handling of failing banks and requests for financial assistance from operating banks.

Significant changes took place in the banking industry during 1988 in areas such as highly leveraged financing, asset securitization, lender liability, security and insurance activities, and direct investment in real estate. The Division is constantly challenged to keep pace with these changes from a supervisory perspective. The staff of DBS worked closely with the other regulators and the industry to develop appropriate supervisory guidelines and accounting standards in these important areas. The FDIC is a major source of information for Congress on these issues, and throughout the year, DBS was involved in preparing testimony on these and other subjects.

DBS was an active contributor to the FDIC study, *Deposit Insurance for the Nineties — Meeting the Challenge*. The study was prompted by a recognition that fundamental changes in the economic, technological and regulatory environment had exacerbated some underlying flaws in the present deposit insurance system. The study contains recommendations for improving the current deposit insurance system. DBS's major role was to analyze the supervisory system as it presently exists and recommend appropriate changes. The FDIC concluded that strong and effective supervision, including strict enforcement of capital standards, appropriate rules for closing failing banks, and a streamlined insurance removal process should be essential elements of any effective insurance reform.

Through more efficient and prudent use of staff resources, DBS significantly increased the number of examinations conducted and reduced the time between examinations. In addition, those banks not examined within three years received supervisory oversight through visitations, offsite review and state examinations. As of year-end 1988, 197 commercial banks subject to FDIC supervision had not been examined by the FDIC within three years; the year-end totals for 1987 and 1986 were 924 and 1,814, respectively. This improvement was accomplished by increasing the number of safety and soundness examinations 10 percent to 4,019 during 1988.

DBS continued to have success recruiting and hiring the best possible trainee examiner candidates. During 1988 the Division hired 284 new examiners. By year-end 1988, DBS had 1,983 field examiners, an increase of 74 over the previous year-end. The goal for year-end 1989 is 2,222 examiners.

FDIC's off-site monitoring activities were strengthened in 1988 by the implementation of the CAEL Offsite Review Program. CAEL is an acronym for four components — capital, asset quality, earnings performance and liquidity — of the bank rating system used by U.S. bank regulatory agencies. Under this program, a formal review of financial information submitted by banks is conducted and that information is then compared to examination data. The program establishes supervisory follow-up procedures to be used by the FDIC's regional offices on a quarterly basis. Benefits of the program include a timely response to deterioration in a bank's condition and more efficient allocation of examination and analytical resources.

During 1988 work began on the development of a comparative performance report for savings banks. The Savings Bank Performance Report, scheduled to go into production during 1989, is similar to the current Uniform Bank Performance Report for commercial banks, but contains additional schedules designed to capture information of particular relevance in the analysis of savings banks. This analytical tool will enable examiners, analysts and the public to interpret the condition and operating results of savings institutions more easily and will provide a basis for developing an offsite monitoring system for savings banks.

Advances in technology are helping the Division to become more productive and efficient. Examiners are making full use of automated reports of examination and numerous specialty applications such as earnings models, graphics and financial tables, in addition to accessing information in the mainframe computer. The expanded use of microcomputers and telecommunications has given examiners instant access to the latest supervisory data and financial information. In order to expedite the flow of information from an examination site through a regional office to Washington, the Division began installing modern local area networks in the Washington office and the regional offices during 1988. These networks will create a computer link among all of the Division's major offices.

Examinations

The FDIC conducts four main types of examinations: safety and soundness; compliance with consumer protection and civil rights laws and regulations; performance of fiduciary responsibilities in trust departments; and adequacy of internal controls in electronic data processing operations.

To maintain a safe and sound banking system, bank supervision must evolve as the industry evolves. Today traditional supervisory methods are giving way to a more continuous, forward-looking form of supervision. Instead of performing onsite examinations based on a fixed examination cycle that can result in some banks receiving too much supervision and

►*(Left to right) Wayne Nichols, Field Examiner; Jason George, Assistant Examiner; Les Winsper, Field Examiner; Charles Foster, Field Examiner*

►*Patricia Deveny, Assistant Examiner*

FDIC EXAMINATIONS, 1986—1988

	1988	1987	1986
Safety and soundness			
State nonmember banks	**3,751**	3,364	2,795
Savings banks	**183**	163	171
National banks	**54**	72	172
State member banks	**31**	54	56
Subtotal	**4,019**	3,653	3,194
Compliance and civil rights	**4,282**	2,832	1,436
Trust departments	**683**	588	333
Data processing facilities	**848**	619	427
TOTAL	**9,832**	7,692	5,390

others not enough, more emphasis is being placed on identifying economic and industry risk and identifying individual banks that exhibit symptoms of higher risk. Supervision must address that risk with an appropriate response, which may take the form of an examination, a visit or possibly just a telephone call.

The Division took a number of important steps in 1988 to improve supervisory oversight. After evaluating staffing resources, operating procedures and the appropriate level of onsite examinations, DBS adopted an examination frequency cycle designed to put more examiners into banks more often. The emphasis is on troubled institutions and on those exhibiting adverse trends. The goal is to conduct an onsite examination at least every 24 months for well-rated institutions (those rated 1 or 2), and an onsite examination at least every 12 months for problem and near-problem institutions.

However, the key to the new examination frequency policy is flexibility, which DBS is accomplishing through more direct cooperation with state banking authorities. Under the new policy, many state examinations of 1-, 2-, and 3-rated banks are counted the same as FDIC examinations for the purpose of tracking adherence to examination guidelines. Moreover, DBS meets with state officials to develop cooperative examination schedules so that each agency can better plan resource requirements. As a result, the Division and the states have more flexibility to concentrate resources in areas of emerging or anticipated concern and not just in those areas with known problems.

DBS's intensified examination program also is designed to include more FDIC examinations of national and state member banks in cooperation with the Office of the Comptroller of the Currency and the Federal Reserve Board. The results of these arrangements are expected to emerge in coming years.

The FDIC participates with the other federal and state bank supervisory agencies in the Shared National Credit Program. This program promotes efficient use of examination resources through coordinated and uniform supervisory treatment of large loans in which two or more banks participate. In 1988, FDIC staff devoted 17,662 hours to the review of 4,564 loans totaling $581 billion, compared to 16,730 hours spent reviewing 3,879 loans totaling $471 billion in 1987.

Congress has charged the FDIC and the other federal financial institution regulators with the responsibility for administering certain consumer protection and civil rights laws. DBS monitors FDIC-supervised banks for adherence to these laws and their implementing regulations through separate compliance examinations. During 1988 the FDIC conducted 4,282 compliance examinations and visitations nationwide, an increase of 51 percent over 1987. Areas covered by compliance examinations include federal laws covering Truth in Lending, Fair Credit Reporting, Electronic Funds Transfer, Financial Recordkeeping and Currency Reporting, Fair Debt Collection Practices, Community Reinvestment, Fair Housing, Home Mortgage Disclosure and Real Estate Settlement Procedures. During 1988 Congress passed the Expedited Funds Availability Act, and the FDIC subsequently began examining for compliance with the Act's implementing Federal Reserve Board Regulation CC.

As part of its review of Truth in Lending Act provisions requiring accurate disclosure to consumers of interest rates and finance changes, the FDIC obtained $1,722,994 in reimbursements for 22,105 consumers from 228 FDIC-supervised banks during 1988, compared to reimbursements of $612,614 from 98 banks for 9,208 consumers in 1987.

The FDIC's supervisory responsibilities include examining and regulating trust departments and the securities transfer activities of FDIC-supervised banks. During 1988 consent was given to 37 banks to begin exercising trust powers. This brings to 2,384 the number of trust departments supervised by the FDIC at year-end. FDIC-supervised banks had investment discretion over $125.7 billion in trust assets, and responsibility for a further $433 billion in non-managed assets at year-end 1988, compared to $120.3 billion in trust assets and $348.8 billion in non-managed assets at the end of 1987. The FDIC also supervised the securities transfer activities of 258 banks registered with it under federal securities laws and 52 examinations of their activities were performed during the year, compared to 282 banks and 39 examinations in the previous year.

FDIC examiners participated in examinations of 749 bank-operated and independent data processing operations during 1988, compared to 497 in 1987. As a result of these examinations, 18 data centers (14 banks and 4 non-bank institutions) were identified as problem situations in 1988. In 1987, 19 data centers (17 banks and two non-bank institutions) were considered problem situations. Examinations of multi-regional data processing servicers are conducted jointly with the other federal financial institution supervisory agencies. This arrangement saves examiner resources, reduces disruption at the data center and provides for uniform supervision of the servicer.

FDIC PROBLEM BANKS, 1984—1988

(Year-end)	**1988**	1987	1986	1985	1984
Total Insured Banks	**13,606**	14,289	14,837	14,906	14,825
Problem Banks	**1,406**	1,575	1,484	1,140	848
% Change in Number of Problem Banks	**(10.7)**	6.1	30.2	34.4	32.1
% of Total Insured Banks	**10.7**	11.0	10.0	7.6	5.7

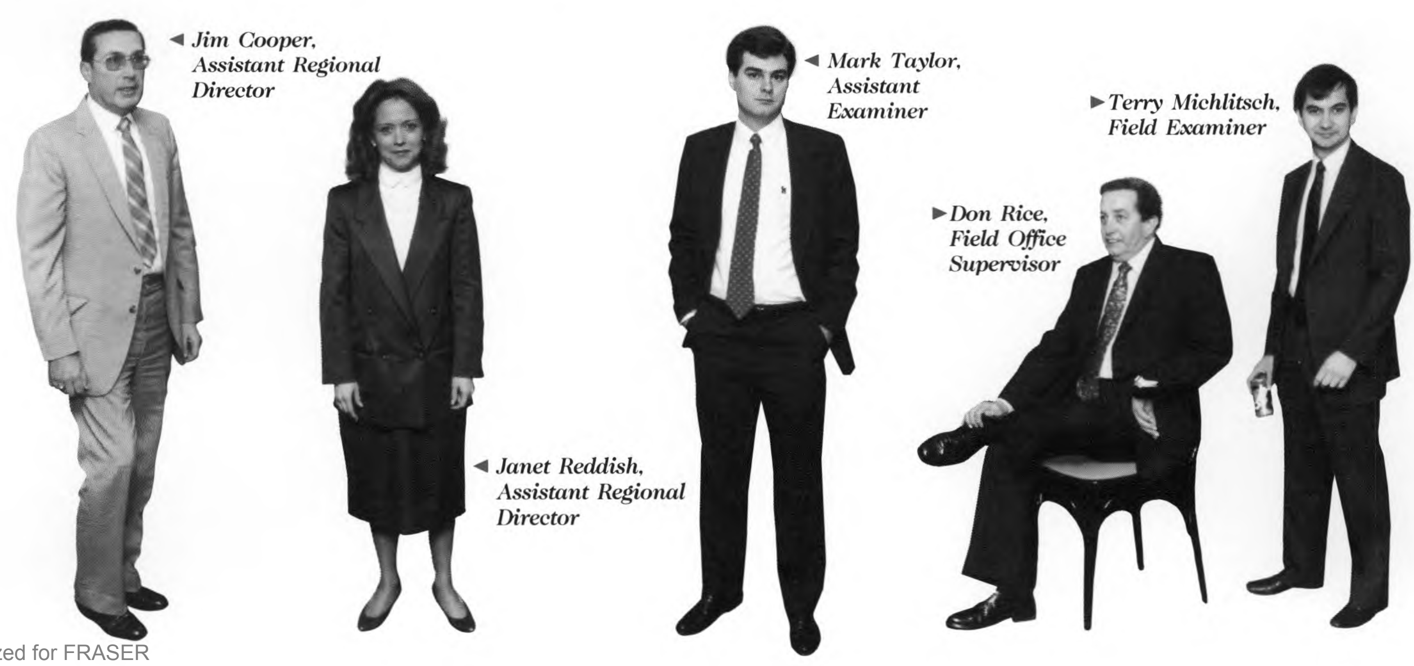
CHANGES IN FDIC PROBLEM BANK LIST, 1984—1988

Deletions	**680**	627	494	312	296
Additions	**511**	718	838	604	502
Net Change	**(169)**	91	344	292	206

Problem Banks

The federal bank regulators assign a composite supervisory rating (on a scale of one to five in ascending order of supervisory concern) to each federally regulated financial institution based on a general framework for evaluating and assimilating all significant financial, operational and compliance factors. Institutions whose financial, operational or managerial weaknesses are so severe as to pose a serious threat to continued financial viability are, depending on the degree of risk and supervisory concern, rated Composite "4" or "5" and considered problem institutions. Because it insures deposits in virtually all commercial and savings banks, the FDIC's problem list includes national banks, savings banks and insured state member and nonmember banks. The FDIC places a special emphasis on examining these problem banks because of their potential effect on the deposit insurance fund.

After reaching a historical high of 1,624 in mid-1987, the number of FDIC-insured problem banks has been declining. This trend is due primarily to increased supervisory attention, improvements in the



◄ *Jim Cooper, Assistant Regional Director*

◄ *Janet Reddish, Assistant Regional Director*

◄ *Mark Taylor, Assistant Examiner*

► *Don Rice, Field Office Supervisor*

► *Terry Michlitsch, Field Examiner*

economy of the Midwest and the record number of failures. At year-end 1988, there were 1,406 problem banks. Although failures contributed to the decline, many more former problem banks were rehabilitated, usually with close supervisory guidance, as shown in the accompanying table. Even though mismanagement and poor lending decisions continue to be the primary causes of most problem bank situations, weaknesses in the energy sector of the economy and the related effects on real estate and business markets in the Southwest precluded any significant improvement in the number of problem banks in that section of the country during 1988.

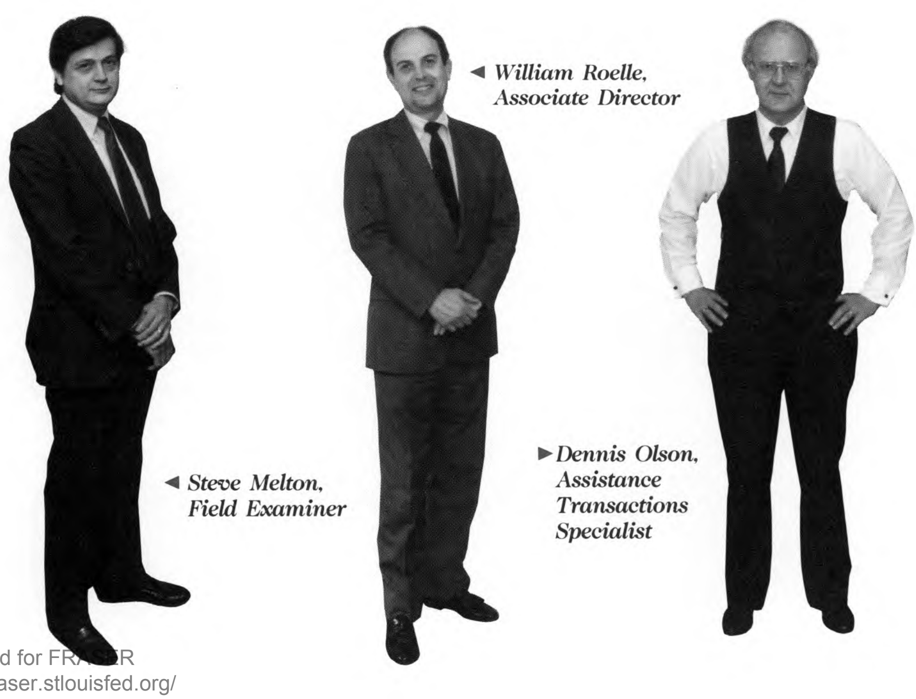
Capital Forbearance Program

The FDIC's Capital Forbearance Program was adopted in 1986 and expires December 31, 1989. The program is available to any bank with difficulties primarily attributable to economic problems beyond the control of management. Under the capital forbearance program, a bank may operate temporarily with capital below normal supervisory standards if it is viable and has a reasonable plan for restoring capital.

Since the program began, the FDIC has received 312 applications for forbearance. Of the 181 banks admitted to the program, 56 were terminated for various reasons, leaving 125 banks in the program at year-end. Applications of 84 banks have been denied and 21 were being processed. In 26 cases the application was withdrawn or not processed for other reasons.

Loan Loss Deferral—Agricultural Banks

The Competitive Equality Banking Act of 1987 permits qualifying agricultural banks to amortize losses on agricultural loans and related assets over a seven-year period. Under the program, a qualifying bank may amortize eligible losses that are incurred between December 31, 1983, and January 1, 1992. At year-end the FDIC had received 81 applications for the program and 35 had been accepted. Four have been terminated for various reasons, leaving 31 banks in the program. Applications of 19 banks were denied and six were still in process at year-end. In 21 cases, the application was either withdrawn by the filing bank or returned because the institution did not qualify as an agricultural bank.



◄ *Steve Melton, Field Examiner*

◄ *William Roelle, Associate Director*

► *Dennis Olson, Assistance Transactions Specialist*

Fraud and Insider Abuse

Insider abuse or criminal fraud was present to some degree in about one-third of 1988 bank failures. This proportion has remained about the same in recent years. A total of 625, or eight percent, of state nonmember banks were victimized by a theft or fraud of $10,000 or more in 1988, down slightly from eight percent in 1987.

The FDIC works closely with the Attorney General's Bank Fraud Working Group in its supervisory response to bank fraud and insider abuse. In 1988 special fraud examiners in each region received advanced training in criminal psychology and fraud detection techniques. The FDIC continued its sponsorship of regional, joint Federal Bureau of Investigation/examiner training sessions and a white collar crime school run by the Federal Financial Institutions Examination Council. In another development aimed at stemming bank fraud, The Report of Apparent Crime form used by banks was revised in 1988 to include money laundering violations involving the structuring of currency transactions in such a way as to avoid filing a currency transaction report with the IRS.

Several local bank fraud working groups were established or activated in 1988, mainly in major cities. The working group in Chicago was singled out for praise in Congress and by the business press and became the model for similar organizations in other cities.

In October 1988 Congress enacted anti-drug abuse legislation that included some changes to the Treasury's Bank Secrecy Act regulations. In one such change, beginning in 1989 banks will be required to record identifying information on all individuals who purchase official checks in amounts greater than $3,000. The legislation also amended the Right to Financial Privacy Act to permit the transfer of information from the FDIC and other regulatory agencies to the Department of Justice when there is reason to believe that records obtained in the exercise of the agency's supervisory or regulatory functions may be relevant to a violation of federal criminal law. The FDIC strongly supported these amendments, which removed barriers to effective cooperation between examiners and law enforcement agents.

Also in October, the Committee on Government Operations of the House of Representatives issued its second report on fraud, abuse and misconduct in the nation's financial institutions. The report offered many valuable recommendations that will help combat fraud and insider abuse in the banking industry. In responding to the report, Chairman Seidman noted the significant progress that has already been made by the FDIC and the other agencies: "Since 1984, all aspects of the federal mechanism for detecting, reporting, investigating and prosecuting bank fraud and embezzlement in this country have been improved. Basic methods and philosophies have been altered. Examiners and auditors have accepted greater responsibility for detecting and reporting criminal conduct in financial institutions. The criminal referral system has also been improved, significantly increasing the probability of prosecution and conviction . . ."

Assistance Transactions

The Federal Deposit Insurance Act authorizes the FDIC to provide financial assistance to prevent the closing of an insured bank. Assistance may be granted directly to an insured bank in danger of failing, to facilitate a merger of an insured bank in danger of failing, or to a company that controls or will control an insured bank in danger of failing. To provide such assistance, the FDIC's Board of Directors must determine that the amount of assistance is less than the cost of liquidating the bank. An exception is made, however, when the continued operation of the bank is essential to provide adequate banking services to its community or severe financial conditions exist that threaten a significant number of financial institutions or financial institutions with significant resources. A bank applying for financial assistance should have a commitment for a capital infusion from an outside source other than the FDIC and demonstrate to the FDIC that its management can restore the bank to health. Shareholders of the bank generally should receive no greater return on their investment than they would have received if the bank had failed.

ASSISTED BANKS BY STATE, 1984—1988

	'88	'87	'86	'85	'84
Alabama	**0**	0	0	1	0
Alaska	**1***	0	0	0	0
Arkansas	**1**	0	0	0	0
Illinois	**1**	0	0	0	1
Iowa	**1**	0	0	0	0
Kansas	**2**	1	2	0	0
Kentucky	**1**	0	0	0	0
Louisiana	**2**	1	1	0	0
Missouri	**0**	1	1	0	0
Minnesota	**1**	0	0	0	0
Montana	**0**	1	0	0	0
New Jersey	**0**	0	0	0	1
New Mexico	**1**	0	0	0	0
New York	**0**	1	0	2	0
Ohio	**1**	0	0	0	0
Oklahoma	**2**	2	1	0	0
Oregon	**0**	0	0	1	0
South Dakota	**1**	0	0	0	0
Tennessee	**0**	0	1	0	0
Texas	**5†**	12‡	0	0	0
Utah	**1**	0	0	0	0
Washington	**0**	0	1	0	0
TOTAL	**21**	19	7	4	2

* One transaction involved Alaska Mutual Bank and United Bank of Alaska, both of Anchorage, Alaska.
† One transaction involved the 59 bank subsidiaries of First City Bancorporation, Houston, Texas, and one transaction involved two bank subsidiaries of First RepublicBank Corporation, Dallas, Texas.
‡ Includes 11 bank subsidiaries of BancTEXAS Group Inc., Dallas, Texas.

In 1988 the FDIC entered into 21 assistance transactions, which benefited 81 banks. These assistance transactions resulted in estimated savings to the FDIC of $917,600,000. The savings are calculated by estimating the cost of an assistance transaction compared to the estimated cost to the FDIC if the bank failed and its depositors were paid off. These savings arise because the acquirer in an assistance transaction normally pays the FDIC a premium for the failing bank's franchise; an assisted bank generally is run by new management, which is often better positioned to liquidate assets more quickly and at a more advantageous price than if the same functions were performed by the FDIC; and the FDIC avoids the administrative costs of liquidating assets and bringing in personnel to handle a payoff of the bank's depositors.

First City Bancorporation

On April 20, 1988, the FDIC's Board of Directors granted final approval to an assistance plan to recapitalize and restore financial health to the subsidiary banks of First City Bancorporation of Texas, Houston, Texas, an $11 billion organization with 59 banking subsidiaries. Control of First City

TEN LARGEST FDIC ASSISTANCE TRANSACTIONS
(By FDIC Estimated Cost, in millions)

Name	Assistance Date(s)	Total Assets of Assisted Bank(s)	FDIC Outlay	Estimated Cost	Acquiring Bank
First RepublicBank Dallas, N.A., Dallas, TX; First RepublicBank Houston, N.A., Houston, TX*	3-17-88 7-29-88	$ 32,700	$ 3,800	$ 3,000	NCNB, Texas National Bank, Dallas, TX
Continental Illinois National Bank and Trust Company, Chicago, IL (now Continental Bank, N.A.)	5-17-84 9-26-84	33,633	2,000 4,500	0 1,439	—
First City Bancorporation, Houston, TX (59 banks)	4-20-88	11,200	1,066	979	—
The New York Bank for Savings, New York, NY	3-26-82	2,780	694	694	Buffalo Savings Bank, Buffalo, NY (now Goldome Bank for Savings, Buffalo, NY)
Greenwich Savings Bank, New York, NY	11-4-81	2,491	576	363	Metropolitan Savings Bank, New York, NY (now Crossland Savings Bank, New York, NY)
Alaska Mutual Bank and United Bank Alaska, Anchorage, AK	1-28-88	1,285	295	295	Alliance Bank, Anchorage, AK
Western Saving Fund Society of Philadelphia, Haverford, PA	4-03-82	2,113	518	296	Philadelphia Saving Fund Society, Philadelphia, PA
Bowery Savings Bank, New York, NY	10-01-85	5,279	561	259	Bowery Savings Bank, Inc., New York, NY
BancTEXAS Group, Inc., Dallas, TX	7-17-87	1,193	150	150	—
Central Savings Bank, New York, NY	12-04-81	899	179	127	Harlem Savings Bank, New York, NY (now Apple Bank for Savings, New York, NY)

*Assistance of $1 billion provided to two banks on March 17, 1988. On July 29, 1988, the 40 Texas bank subsidiaries of First RepublicBank Corporation were closed and acquired by NCNB Texas National Bank, a bridge bank, and the FDIC agreed to sell the bridge bank to NCNB Corporation, Charlotte, North Carolina. On August 2, 1988, First RepublicBank's Delaware consumer bank subsidiary was closed and acquired by Delaware Bridge Bank, National Association, and on September 9, 1988, the FDIC agreed to sell substantially all of the bridge bank's assets to Citibank (Delaware), New Castle, Delaware.

was assumed by a new private investor group that raised $500 million in new capital through a stock offering. The FDIC's assistance to First City's subsidiary banks was in the form of $970 million in notes.

A key feature of the First City agreement was the transfer of approximately $1.7 billion in nonperforming and troubled assets to a separate entity created to service such assets, which was funded by notes from the First City subsidiary banks. Collections by this new entity will be used first to repay the subsidiary banks, then the FDIC and then the previous shareholders of First City. The FDIC did not purchase any assets held by the assisted banks and is guaranteed a minimum repayment of $100 million from collections. In addition, the FDIC received warrants, exercisable for five years, to purchase five percent of the common stock of First City at a price equal to the initial offering price of the stock. The FDIC also purchased $43 million of junior preferred stock convertible into a 10 percent interest in the common stock of the restructured holding company. Finally, holders of First City's preferred stock and publicly-held, long-term debt agreed to substantial concessions as a requisite to the transaction.

Net Worth Certificates

In prior years, under terms of the Garn-St Germain Depository Institutions Act of 1982, Net Worth Certificates (NWCs) totaling $710.4 million were issued to 29 savings banks experiencing severe losses due to interest rate mismatches. In 1988 outstanding NWCs were reduced by $18.1 million through contractually required payments. At year-end 1988 three banks had NWCs outstanding aggregating $322 million.

Failed Banks

At 200, the number of insured bank failures in 1988 again set a post-Depression annual record, exceeding the previous high of 184 set in 1987. Of the 200 failed banks, 41 (40 in Texas and one in Delaware) were subsidiaries of one multi-bank holding company, First RepublicBank Corporation, Dallas, Texas. States with the highest number of failures in 1988 were again Texas (113), Oklahoma (23) and Louisiana (11). The concentration of bank failures in these three states, like the higher incidence of problem banks, was an outgrowth of the continued depressed energy and real estate industries in those areas.

Average assets of all failed banks in 1988 were $250.2 million, while average deposits were $159.7 million, compared to $37.6 million in average assets and $34.7 million in average deposits in the previous year. The significant increase over 1987 figures is due to the First RepublicBank failures. If these banks are excluded, the average assets and deposits for 1988 failed banks are $37.6 million and $36.0 million, respectively, or about the same as 1987. Approximately 43 percent of the 1988 failures involved state nonmember banks with average deposits of $43.7 million. Deposits in all failed banks in 1988, exclusive of First RepublicBank Corporation's subsidiaries, totaled $5.7 billion, compared to $6.4 billion in 1987 and $6.0 billion in 1986.

Purchase and assumption transactions (P&As) were arranged for 164, or 82 percent, of the bank failures. In 1987, P&As, at 133, constituted 72 percent of the transactions. In P&As, a healthy institution assumes the deposits and other liabilities and purchases a portion of the assets of the failed bank. In 1988 premiums totaling more than $171 million were paid by the assuming banks. Direct savings resulting from these transactions compared to the cost of payoffs are estimated to be approximately $3.0 billion.

The increase in the number of successful attempts to use P&As was due in significant part to the use of whole bank transactions. In this type of transaction, prospective acquirers submit bids to purchase essentially all assets of a failing bank "as is," on a discounted basis. This type of sale is desirable because loan customers can continue to be serviced locally by an ongoing financial institution instead of FDIC liquidators, it minimizes FDIC cash outlays and it restrains growth in assets held by the FDIC for liquidation. In 1988 the FDIC attempted whole bank transactions in 129 failing bank situations (excluding First RepublicBank), succeeding in 69 cases, compared to 52 attempts and 19 successful transactions in 1987.

For 30 failed banks, the FDIC arranged insured deposit transfers instead of directly paying off depositors up to the insurance limit. In an insured deposit transfer, insured deposits are made available to their owners by transferring the accounts to an existing healthy institution or a newly-formed bank. The transferee bank also may purchase some of the assets of the failed bank. In fact, in two cases in 1988, insured deposit transfers were arranged where the assuming institution purchased all, or nearly all, of the failed bank's assets. The FDIC received purchase premiums of $4.7 million on these transactions in 1988.

The FDIC directly paid depositors their insured claims in six failures in 1988 when neither a purchase and assumption transaction nor an insured deposit transfer could be arranged.

First RepublicBank Corporation

The largest banking organization to fail in 1988 was First RepublicBank Corporation, Dallas, Texas, which had 41 banks and gross assets of $32.5 billion. This organization, the largest in Texas and the fourteenth largest in the country, experienced a major outflow of funds during early 1988 following adverse publicity about its distressed financial condition. As a result, the FDIC in March of 1988 provided an interim financial assistance package consisting of a $1 billion loan to First Republic's two largest banks. This loan was

► *Joe Calvert, Review Examiner*

◄ *Sid Carroll, Assistant Regional Director*

► *Dan Walker, Review Examiner*

FAILED BANKS BY STATE, 1986—1988

	FAILED BANKS			PURCHASE & ASSUMPTIONS (P&As)			PAYOFFS			INSURED DEPOSIT TRANSFERS		
	1988	1987	1986	**1988**	1987	1986	**1988**	1987	1986	**1988**	1987	1986
Alabama	**0**	2	1	**0**	2	1	**0**	0	0	**0**	0	0
Alaska	**1**	2	1	**1**	1	1	**0**	0	0	**0**	1	0
Arizona	**1**	0	0	**0**	0	0	**0**	0	0	**1**	0	0
California	**3**	8	8	**1**	6	5	**1**	1	0	**1**	1	3
Colorado	**10**	13	7	**7**	10	3	**0**	0	2	**3**	3	2
Delaware	**1***	0	0	**1**	0	0	**0**	0	0	**0**	0	0
Florida	**3**	3	3	**2**	2	2	**0**	0	1	**1**	1	0
Idaho	**0**	0	1	**0**	0	1	**0**	0	0	**0**	0	0
Illinois	**1**	2	1	**0**	2	1	**0**	0	0	**1**	0	0
Indiana	**1**	3	1	**1**	2	1	**0**	0	0	**0**	1	0
Iowa	**6**	6	10	**4**	6	9	**0**	0	1	**2**	0	0
Kansas	**6**	8	14	**6**	4	11	**0**	2	3	**0**	2	0
Kentucky	**0**	1	2	**0**	1	1	**0**	0	0	**0**	0	1
Louisiana	**11**	14	8	**10**	14	8	**0**	0	0	**1**	0	0
Massachusetts	**0**	2	0	**0**	0	0	**0**	0	0	**0**	2	0
Michigan	**1**	0	0	**1**	0	0	**0**	0	0	**0**	0	0
Minnesota	**7**	10	5	**7**	5	4	**0**	0	0	**0**	5	1
Mississippi	**0**	1	0	**0**	1	0	**0**	0	0	**0**	0	0
Missouri	**2**	4	9	**2**	2	6	**0**	2	2	**0**	0	1
Montana	**1**	3	1	**1**	3	1	**0**	0	0	**0**	0	0
Nebraska	**1**	6	6	**0**	6	6	**1**	0	0	**0**	0	0
New Mexico	**0**	0	2	**0**	0	2	**0**	0	0	**0**	0	0
New York	**1**	1	0	**0**	0	0	**0**	1	0	**1**	0	0
North Dakota	**1**	2	0	**1**	1	0	**0**	0	0	**0**	1	0
Ohio	**1**	1	0	**1**	1	0	**0**	0	0	**0**	0	0
Oklahoma	**23**	31	16	**19**	22	7	**0**	0	4	**4**	9	5
Oregon	**0**	1	1	**0**	1	1	**0**	0	0	**0**	0	0
Pennsylvania	**0**	1	0	**0**	1	0	**0**	0	0	**0**	0	0
South Dakota	**1**	2	1	**0**	1	1	**0**	0	0	**1**	1	0
Tennessee	**0**	0	2	**0**	0	1	**0**	0	0	**0**	0	1
Texas	**113†**	50	26	**95**	37	19	**4**	5	4	**14**	8	3
Utah	**2**	3	3	**2**	2	3	**0**	0	0	**0**	1	0
Washington	**1**	0	0	**1**	0	0	**0**	0	0	**0**	0	0
Wisconsin	**0**	0	1	**0**	0	0	**0**	0	0	**0**	0	1
Wyoming	**1**	4	7	**1**	0	2	**0**	0	4	**0**	4	1
Puerto Rico	**0**	0	1	**0**	0	1	**0**	0	0	**0**	0	0
TOTAL	**200**	184	138	**164**	133	98	**6**	11	21	**30**	40	19

* Represents First RepublicBank, Delaware, the credit card subsidiary of First RepublicBank Corporation, Dallas, Texas.

† Includes the 40 Texas bank subsidiaries of First RepublicBank Corporation, Dallas, Texas.

collateralized by the stock of 30 of the bank subsidiaries and guaranteed by all the bank subsidiaries. The FDIC also provided assurances of protection to all bank depositors and bank creditors. This protection did not extend to intra-bank funding within the First RepublicBank system or holding company obligations.

After extensive negotiations with several interested parties, the FDIC entered into an agreement with NCNB Corporation, Charlotte, North Carolina, utilizing the bridge bank legislation enacted in 1987. The FDIC notified the other regulators involved that the $1 billion loan would not be renewed, which led to a determination that the lead bank was nonviable. Losses on intra-bank financing and loan guarantees rendered the other banks in the First RepublicBank system insolvent.

On July 29, a new bridge bank, NCNB Texas National Bank, was created to be managed by NCNB Corporation under an interim managerial contract. NCNB Texas did not assume any obligations of the holding company, First RepublicBank Corporation, but received the assets and liabilities from the FDIC acting as receiver for the 40 Texas banks that had been closed. NCNB Corporation and the FDIC completed the permanent recapitalization of the new bank in November by infusing $1.05 billion of new equity. Initially, 20 percent was provided by NCNB Corporation and 80 percent by the FDIC. NCNB has exclusive options to purchase the FDIC's 80 percent interest over a five-year period at increasing premiums.

In a related transaction, a separate bridge bank was created to assume the assets and liabilities of First RepublicBank Delaware, First RepublicBank's credit card subsidiary in Delaware. This bank was closed on August 2 by Delaware authorities after it was unable to fund itself. After soliciting bids, the FDIC on September 9, 1988, agreed to sell the bridge bank in a separate transaction to Citibank (Delaware), New Castle, Delaware.

Applications

The FDIC is responsible for acting on several types of applications. Through the applications process and strict standards, the FDIC strives to control risk to the deposit insurance fund. Proposed state nonmember banks must apply to the FDIC for federal deposit insurance; FDIC-supervised banks must apply to establish branches and facilities or to relocate existing offices; proposed mergers, consolidations and purchase and assumption transactions involving state nonmember banks or a non-FDIC-insured institution are evaluated by the FDIC; the FDIC has statutory authority to disapprove a prospective director, officer or employee of an insured bank; and anyone intending to acquire control of an insured nonmember bank must file a notice with the FDIC, which can prohibit the proposed arrangement.

The adjacent table shows the FDIC's actions on selected types of applications and related activities in 1988 compared to the two previous years. In 1988, 98.1 percent of the actions on applications were taken under delegated authority, with 94.7 percent of the total actions taken at the DBS regional level.

FDIC APPLICATIONS, 1986—1988

	1988	1987	1986
Deposit Insurance	**159**	188	195
Approved	**156**	180	190
Denied	**3**	8	5
New Branches	**1,032**	1,029	804
Approved	**1,032**	1,027	801
Branches	**846**	812	746
Remote Service Facilities	**186**	215	55
Denied	**0**	2	3
Mergers	**288**	234	244
Approved	**287**	234	244
Denied	**1**	0	0
Requests for Consent to Serve	**45**	39	72
Approved	**44**	37	70
Denied	**1**	2	2
Notices of Change in Control	**89**	80	121
Letters of Intent Not to Disapprove	**87**	79	118
Disapproved	**2**	1	3

Merger Policy

In October the FDIC published for comment a proposed revised merger policy. The revision would redefine product and geographic markets to take into account the changes that have occurred in the marketplace for financial services over the past several years. Action on the proposal is expected in 1989.

Risk-Based Capital

During 1988 major strides were made by bank regulators, both in the United States and abroad, in the development of a common risk-based capital framework. In March the FDIC joined the Comptroller of the Currency and the Federal Reserve Board in issuing proposed risk-based capital guidelines for public comment. In July the Basle Committee on Banking Regulations and Supervisory Practices issued a final report, which was endorsed by the central bank governors of the major industrial countries, that set forth a common risk-based framework for international banks domiciled within the Basle Committee countries. The Basle Committee, which includes representatives from the bank regulatory authorities in the United States, Canada, Japan and nine European countries, is actively involved in efforts to strengthen the soundness of the international banking system and eliminate an existing source of competitive inequity by encouraging the establishment of uniform minimum capital standards among the major industrial countries. Based on the final Basle Committee report, the comments received on the FDIC's March proposal, and discussions with other bank regulators, the FDIC issued a final statement of policy on risk-based capital in early 1989.

The risk-based capital framework sets forth a definition of capital, a system for calculating risk-weighted assets by assigning balance sheet assets and off-balance-sheet items to broad risk categories, and a schedule, including transitional arrangements, for achieving a minimum supervisory ratio for capital as a percent of risk-weighted assets. Examples of off-balance-sheet items incorporated into the framework include letters of credit, loan commitments, interest rate swaps and foreign exchange contracts. Banks will need to achieve a minimum ratio of capital to risk-weighted assets of 7.25 percent by year-end 1990 and 8 percent by year-end 1992. The risk-based capital ratio will not eliminate the FDIC's existing primary and total capital to *total assets* ratios, although the capital definitions used for these leverage ratios may be revised in the future to more closely conform to the capital definitions used for risk-based capital purposes.

External Auditing Policy Statement

The FDIC adopted a statement of policy in November 1988 providing more explicit direction regarding independent external auditing programs of state nonmember banks. The statement of policy strongly encourages each state nonmember bank to have an annual external auditing program

EXTERNAL AUDITING PROGRAMS OF BANKS, 1987
All Commercial Banks and FDIC-Supervised Savings Banks (Percent)

Size	Audit*	Directors' Exam†	All Other‡
Over $1 billion	97	2	2
Over $300 million to $1 billion	96	3	1
Over $150 million to $300 million	94	5	2
Over $100 million to $150 million	88	10	3
Over $75 million to $100 million	78	17	5
Over $50 million to $75 million	70	24	6
Over $25 million to $50 million	60	32	8
$25 million and below	43	40	17
All Banks	**65**	**26**	**9**

Source: June 30, 1988 Reports of Condition.
* Audit of the bank or parent holding company's consolidated financial statements by CPAs.
† Directors' examination of the bank by CPAs or other independent external auditors.
‡ Includes review compilation and other specified auditing procedures as well as no auditing work and no response to the item.

performed by an independent auditor (who need not be a public accountant). The statement defines an external auditing program and explains acceptable alternatives to such a program. A bank subject to an annual audit of its financial statements that is performed by an independent public accountant would generally be considered to have a satisfactory external auditing program.

Banks applying for deposit insurance are expected to obtain an audit of their financial statements by an independent public accountant annually for at least the first three years after deposit insurance is granted. If certain conditions exist in troubled bank situations, the administrative orders issued by the FDIC may require that an audit of the financial statements or specified auditing work be performed. In addition, banks are requested to submit copies of the external auditor's reports to the appropriate FDIC regional office as soon as possible after they are received by the bank.

The FDIC continues to believe that an annual external review by an independent party would greatly improve the safety and soundness of all banks. For this reason, the DBS staff has been working with the accounting profession to develop a series of basic external auditing procedures for securities, loans, insider transactions, and internal controls that, as a minimum, an independent auditor should perform for all banks as part of their external auditing program.

Information indicating the level of auditing work performed for all commercial banks and FDIC-supervised savings banks was collected for the first time in 1988 from all banks that file Call Reports. This information shows that 65 percent had an external audit performed by a CPA firm during the previous year and that smaller banks are less likely to have had an audit. Of the banks surveyed, another 26 percent had at least a director's examination performed. A table showing the complete results is shown above.

Part 350—Disclosure Regulation

An FDIC regulation effective in 1988 requires state nonmember banks to prepare disclosure statements and make them available to the public by March 31 of each year. The regulation requires that banks' disclosure statements include financial reports for the two preceding years. Also, the annual disclosure statement must include any other information that the FDIC may require of a particular bank, such as enforcement actions when the FDIC deems it is in the public interest to do so. The regulation also permits banks to include, at their option, additional information that bank management considers important to an evaluation of the overall condition of the bank.

The intent of this regulation is to improve the public's awareness and understanding of the financial condition of individual banks and enhance public confidence in the banking system.

Accounting Issues

During the first quarter of 1988, the DBS staff prepared a study of the differences between generally accepted accounting principles and bank regulatory reporting requirements, which are described primarily in the instructions for preparing Reports of Condition and Income (Call Reports). The study identifies the various differences, the reasons for their existence, and whether and how they should be eliminated. In moving to eliminate as many of these differences as possible, the Division has initiated interagency discussions of the study's recommendations through the Federal Financial Institution Examination Council's (FFIEC) Task Force on Reports. The Task Force is moving toward developing revised reporting requirements for futures contracts and adopting a uniform position on the use of "push down" accounting. The Task Force also has been evaluating how the difference in reporting asset transfers with recourse or other forms of risk retention can be eliminated by incorporating the risk exposure into the banking agencies' risk-based capital guidelines.

Because the banking agencies were concerned about the lack of a consistent, authoritative standard on recognizing income from interest rate swaps, the FFIEC proposed regulatory reporting standards for swaps in November 1988. The proposal would preclude banks from recognizing arrangement fees and spread income at the inception of a swap and would specify the conditions under which changes in the market value of a swap after its inception must be recognized immediately. A final decision on the proposal is expected in 1989.

During the year, the banking agencies considered how sales of agricultural mortgage loan pools that back securities guaranteed by the new Federal Agricultural Mortgage Corporation (Farmer Mac) should be reported for Call Report purposes. To receive a Farmer Mac guarantee, the organization pooling the loans must absorb the first ten percent of losses from defaults on mortgages in the pool. The Call Report instructions treat transfers of loans in which the transferring bank retains a risk of loss, except those involving residential mortgages under federally-sponsored programs, as borrowing transactions. The banking agencies concluded that, like transfers under these federally-sponsored residential mortgage programs, transfers of agricultural mortgages under the Farmer Mac program should be treated like sales.

The FDIC and the other federal bank supervisory agencies advised banks in March 1988 that the existing generally accepted accounting principles governing accounting for income taxes were being superseded by Financial Accounting Standards Board Statement No. 96. Statement No. 96, as amended, is effective for fiscal years beginning after December 15, 1989. Since banks must follow generally accepted accounting principles when preparing their Call Reports unless the instructions specifically require a different reporting treatment, banks will be expected to report their applicable income taxes in their Call Reports in accordance with Statement No. 96 after its effective date. Earlier application of Statement No. 96 is acceptable.

Other 1988 Call Report changes include requests for new information that generally is intended to help the banking agencies identify and monitor risks, such as bank holdings of equity securities, direct and indirect investments in real estate ventures, and the risk exposure associated with three types of mortgage transfers with recourse that are treated as sales for Call Report purposes.

In November 1988 the FDIC Board of Directors approved DBS's recommendation to integrate the quarterly reporting requirements of savings and commercial banks by eliminating the separate savings bank Call Report. Effective as of the March 31, 1989, reporting date, FDIC-insured state-chartered savings banks will begin filing the Federal Financial Institutions Examination Council Reports of Condition and Income now completed by commercial banks, together with a supplemental schedule — on interest rate sensitivity data — for savings banks only.

In the first quarter of 1988, an electronic system for transmitting Call Reports became available to banks. The system gives banks the option of sending their Call Report data to the banking agencies over telephone lines, using computer software that has been certified for this purpose. Bank participation in this electronic transmission system rose from around 800 in the first quarter of 1988 to over 1,400 — more than ten percent of the population — at year-end. Banks

◄ *George Unthank, Financial Analyst*

► *Bonnie Kreiling, Field Examiner*

► *John Stone, Associate Director*

choosing not to use this electronic system continue to submit their Call Reports in the traditional hard-copy form.

During the second half of 1988, DBS assisted the Legal Division in developing a proposed regulation that expands the definition of the term "deposit." The proposal, which was published for a 60-day comment period on November 25, is intended to supplement and complement the statutory definition of deposit in the Federal Deposit Insurance Act by prescribing that certain other obligations are deposit liabilities by general usage. Under proposed Part 354 of the FDIC's Rules and Regulations, a bank's liability on a promissory note, bond, acknowledgment of advance or similar obligation issued or undertaken as a means of obtaining funds would be, unless specifically excepted, a deposit liability for insurance and assessment purposes. The analysis of the comments received on the proposal is under way and DBS staff will continue to provide support to the Legal Division as it prepares its final recommendations on this issue.

The extensive use of whole bank purchase and assumption transactions during 1988, along with the FDIC's efforts to effect Section 13(c) assistance transactions and bulk sales of assets acquired from failed banks, has given rise to frequent questions from examiners and bankers about the appropriate accounting for such transactions by banks. As a result, DBS staff is working on a discussion paper that identifies financial accounting issues associated with such transactions, analyzes possible methods of accounting for them in bank financial statements, and provides observations about the supervisory implications of these methods. The feedback received on a discussion draft, and its tentative conclusions from within the FDIC and the other federal banking agencies, should enable DBS to prepare final guidance for its staff and bankers in 1989 on the preferred accounting treatment for failed bank acquisitions, assistance transactions and bulk purchases of assets.

Bank Investment Practices

In April 1988 the FDIC adopted the Federal Financial Institutions Examination Council's policy statement on unsuitable investment practices and the selection of securities dealers. The guidelines in the policy statement were devised because a number of financial institutions incurred substantial losses as a result of engaging in speculative securities activities. The policy statement stresses the need for financial institutions to know the financial condition and reputation of the dealers with whom they do business. It also describes various securities transactions that are considered to be unacceptable for a bank's investment account and advises that securities acquired through these types of transactions are to be marked to market, or the lower of cost or market. Additionally, the policy statement points out the risks associated with investments in zero coupon bonds, residuals and stripped mortgage-backed securities and describes procedures to be followed by institutions that purchase them.

International

The international lending activities and other exposures to lesser developed countries (LDCs) by domestic insured banks continued to be a focus of FDIC attention during 1988. As a member of the Interagency Country Exposure Review Committee, the FDIC monitors such activities on an ongoing basis. A number of positive developments with respect to international lending were noted during 1988, including significant reductions in LDC debt exposure at a number of banks and the maintenance of higher reserve levels against LDC portfolios. In addition, the completion of a debt rescheduling arrangement by Brazil enabled that country to bring interest current for a favorable impact on bank earnings for 1988.

Domestic branches of foreign banks are eligible for deposit insurance pursuant to the International Banking Act of 1978. At year-end 22 foreign banks operated 51 insured branches in ten U.S. cities. In 1988, under its Regulation Review Program, the FDIC published proposed revisions to the regulation governing operation of these branches. The revisions relate to exemptions from the deposit insurance, minimum capital equivalency levels and pledge of assets requirements, as well as the country exposure limitation provision. A final regulation is expected to be issued during 1989.

The FDIC frequently receives visitors and official delegations from foreign countries seeking an understanding of U.S. bank regulation, FDIC policies and procedures and methods of assessing risk. During 1988, at least 20 countries were represented among those visitors and delegations.

Government Securities Act

Regulations issued by the Department of the Treasury under the Government Securities Act of 1986 (GSA) require each nonexempt financial institution that acts as a U.S. government securities broker or dealer to notify its federal regulator of its broker-dealer activities. As of December 31, 1988, 42 state nonmember banks had filed notice with the FDIC of their U.S. government securities broker-dealer status. Parts of the regulations also apply to any depository institution that engages in certain repurchase agreements with customers or holds U.S. government securities for customers other than in a fiduciary manner. During the year, instructions were developed to help examiners check for bank compliance with the GSA regulations, and an FDIC Bank Letter was prepared for issuance early in 1989 to remind depository institutions that even through they may not be required to give notice of U.S. government securities broker or dealer activities, they may be subject to certain parts of the GSA regulations.

Banks Registered Under the Securities Exchange Act of 1934

The FDIC administers and enforces the registration and reporting provisions of the Securities Exchange Act of 1934 for publicly-held insured nonmember banks. All required statements and reports filed by state nonmember banks under implementing regulation Part 335 are public documents and are available for inspection at FDIC headquarters in Washington, D.C. A total of 1,898 individuals inspected these records during 1988 and requested copies, and an additional 3,205 requested copies by telephone. Copies of 45,861 pages were provided in response to these requests. At the end of 1988, 246 banks were registered with the FDIC, down from 261 a year earlier.

Training

At the FDIC Training Center in Rosslyn, Virginia, developmental training is conducted for employees in the core examination practices and procedures — for areas such as loans, investments, internal routines and controls, earnings and interest rate risk — as well as specialty training in areas such as consumer compliance, data processing and bank trust activities. Training in emerging issues such as real estate investment and off-balance-sheet activity also is offered.

The increased hiring of examiners that began in 1985 continued to affect the Division's training efforts, as student attendance at the DBS Training Center again increased over the previous year. During 1988, 140 sessions of 16 courses were attended by 2,274 FDIC examiners, 95 employees of other FDIC divisions, 383 state examiners, and 88 employees of other federal agencies and several foreign countries. In addition, 777 FDIC employees and 192 state examiners under FDIC sponsorship attended 15 different courses offered under the auspices of the Federal Financial Institutions Examination Council.

Training levels are expected to increase in 1989 and beyond to meet the needs of the increased field examiner staff. A cadre of 350 instructors, including examiners from the various FDIC Regions, staff members and senior management from the Washington Office, and guest lecturers from the academic community, banking and other business fields taught at the DBS Training Center in 1988. In addition, the FFIEC courses were supported by 22 FDIC instructors.

One of the significant activities conducted at the DBS Training Center is the assessment of assistant examiners for commissioned examiner status. In 1988, 173 candidates were evaluated at the Assessment Center, representing more than triple the number assessed in 1987. More than 300 candidates will be evaluated at the facility in 1989, reflecting the continued expansion of the field examiner staff.

Division of Liquidation

The Division of Liquidation (DOL) plans for and responds to bank failures; administers failed bank receiverships; makes payments to depositors in closed FDIC-insured banks; and establishes operating policies and procedures related to the liquidation of failed bank assets.

Operating Results

The Division of Liquidation achieved favorable operating results in 1988. Cash collections for the year equaled $2.326 billion while operating expenses totaled $238.9 million, or 10.27 percent of collections. The $238.9 million in expenses represents a 10 percent decrease from the $265.9 million expended during 1987 on collections of $2.415 billion. Despite the addition of 200 failed bank receiverships to DOL's portfolio, total assets in liquidation at year-end decreased by $2.035 billion from year-end 1987 to $9.305 billion. Despite the sizable increase in its activities, the Division was able to reduce its staff to 3,386 by year-end 1988, or 1,035 positions below the previous year-end total. Additionally, 51 bank receiverships were terminated and removed from the Corporation's books and an additional 203 banks were placed in termination status awaiting approval from the appropriate court.

The accomplishments of the Division can be attributed to several key initiatives: (1) aggressively marketing acquired assets; (2) monitoring major asset and large litigation strategies; (3) updating and streamlining policies and procedures on asset management; and (4) emphasizing debt compromises as a cost-effective alternative to protracted litigation.

DOL's asset marketing efforts have been very productive over the past two years. For example, 574

DOL STATISTICAL HIGHLIGHTS, 1983—1988

	Total Failed Banks	Total Assets of Failed Banks* (billions)	Total Collections† (billions)	Estimated Book Value of Assets in Liquidation (billions)	Operating Expenses† (millions)	Number of Employees
1988	**200**	**$ 35.7**	**$ 2.326**	**$ 9.3**	**$ 238.9‡**	**3,386**
1987	184	6.9	2.415	11.3	265.9‡	4,421
1986	138	7.0	1.749	10.9	230.8‡	4,706
1985	116	2.8	1.282	9.6	249.3§	3,318
1984	78	2.8	1.538	10.0	232.5§	2,158
1983	45	4.1	1.008	4.1	119.8§	1,153

* Excludes open bank assistance transactions.

† Collection and DOL operating expense data exclude Continental Bank, N.A., Chicago, Illinois, and First National Bank and Trust Company of Oklahoma City, Oklahoma, where asset servicing agreements are in place.

‡ DOL only.

§ FDIC-wide expenses.

◄ *(Left to right) Larry Pigg, Supervisory Liquidation Specialist, Owned Real Estate; Brenda Jones, Secretary; Ken Blincow, Supervisory Liquidation Specialist/Closing Manager*

► *Lew Greene, Supervisory Liquidation Specialist, Operations*

► *Victor Robert, Bank Liquidation Specialist, Owned Real Estate* bulk sales were consummated in 1987, involving 91,123 assets with a book value of $860 million. In 1988, 546 transactions involving 71,865 assets with a book value of $875 million were sold. These results, to some extent, reflect a shift in DOL's marketing emphasis from high overhead, small balance loans to larger balance, mixed quality loans.

Activities during the past year included major sales at four Midwest DOL sites, in which virtually all assets from those locations were offered. Based on the success of these sales in reducing the inventory of failed bank assets, two of those offices — in Des Moines, Iowa, and Omaha, Nebraska — were closed in 1988.

To facilitate asset marketing activities, DOL has further developed its computerized asset inventory maintenance system known as the Secondary Marketing Asset Pricing System (SMAPS). In addition to maintaining the Division's investor profile list, SMAPS can develop specific loan portfolios tailored to prospective buyers' needs from the Liquidation Asset Management Information System (LAMIS).

In a 1988 pilot project, DOL planned a public auction of some of its largest holdings of other real estate. As a result of the auction, which was held in March 1989 by Cushman & Wakefield at Christie's in New York City, the FDIC sold 14 properties, about half of those offered. The FDIC realized an overall gross sales recovery of $40.7 million — 99.4 percent of the properties' appraised value. For this auction, and in general when disposing of real estate acquired from failed banks, the FDIC's policy is to obtain appraised value or close to it for a property or hold it until that target can be met.

As a means of monitoring high risk major assets, DOL prepares quarterly status reports for the review of upper management. This procedure is in addition to the routine monitoring that takes place within each DOL site, and is intended to assure that the most expeditious and logical recovery strategy is being pursued for the assets. Similarly, DOL has a litigation review process whereby all assets in litigation are reviewed semi-annually. The intent of this process is to measure the cost of legal proceedings against other recovery alternatives. Increased recoveries through debt settlement and reduced legal expenses have resulted from this litigation review process.

In 1987 the FDIC's Board of Directors provided DOL with broader delegations of authority. Operating within the context of that authority, DOL's ability to perform its primary goal — the liquidation of acquired assets in a timely manner while maximizing recovery potential — has been greatly enhanced. Likewise, DOL continues to be highly decentralized, with the vast majority of all business decisions made at the field or regional level. Of the approximately 28,100 actions taken in 1988, less than one percent required approval by the Washington office. This structure serves the dual purposes of expediting decision-making and permitting prompt response to the customers of failed institutions.

For several years, DOL has stressed the importance of considering debt compromises as an acceptable method of asset liquidation. Increased emphasis has been placed on the need to consider the time value of money in debt compromise analysis; the by-product of this effort has been a significant increase in debt compromise as a method of resolving problem loans.

A multi-year project to automate records of the FDIC's enormous inventory of assets from failed banks on one computer system was completed in 1988. In the last step of the project, in December over 19,000 assets from DOL's Houston, Texas, Consolidated Office were integrated into the Liquidation Asset Management Information System (LAMIS).

►*Jeanie Avery, Liquidation Technician/ Operations*

►*Robert Lehman, Regional Manager, Credit*

◄ *Maurie Houlihan, Assistant Managing Liquidator*

FAILED AND ASSISTED BANKS, 1988
(By state and type of transaction)

	Failed Banks	Assistance Transactions	P&A	Payoff	Insured Deposit Transfer	Ag Bank	Whole Bank P&As
ALASKA	1	1	1	0	0	0	0
ARIZONA	1	0	0	0	1	0	0
ARKANSAS	0	1	0	0	0	1	0
CALIFORNIA	3	0	1	1	1	0	0
COLORADO	10	0	7	0	3	0	4
DELAWARE	1	0	1	0	0	0	0
FLORIDA	3	0	2	0	1	0	1
ILLINOIS	1	1	0	0	1	0	0
INDIANA	1	0	1	0	0	1	0
IOWA	6	1	4	0	2	7	3
KANSAS	6	2	6	0	0	6	4
KENTUCKY	0	1	0	0	0	0	0
LOUISIANA	11	2	10	0	1	1	7
MICHIGAN	1	0	1	0	0	0	0
MINNESOTA	7	1	7	0	0	6	4
MISSOURI	2	0	2	0	0	1	2
MONTANA	1	0	1	0	0	0	1
NEBRASKA	1	0	0	1	0	1	0
NEW MEXICO	0	1	0	0	0	0	0
NEW YORK	1	0	0	0	1	0	0
NORTH DAKOTA	1	0	1	0	0	0	0
OHIO	1	1	1	0	0	0	0
OKLAHOMA	23	2	19	0	4	3	10
SOUTH DAKOTA	1	1	0	0	1	1	0
TEXAS	113	5	95	4	14	0	31
UTAH	2	1	2	0	0	0	0
WASHINGTON	1	0	1	0	0	0	1
WYOMING	1	0	1	0	0	0	1
TOTAL	**200**	**21**	**164**	**6**	**30**	**28**	**69**

◄ *Didi Dillard, Liquidation Technician/ Operations*

► *Signe Nash, Secretary*

► *Greg Wilson, Supervisory Liquidation Specialist, Real Estate*

Now that all failed bank assets are contained in LAMIS, reports based on a unified file can be prepared for management as well as other FDIC personnel who need to make decisions about the asset inventory. The reports can be designed to contain specific information about assets, such as type, dollar range, amount by each of DOL's account officers and many other categories. Further enhancing DOL's access to information about its inventory are hook-ups between LAMIS and other FDIC computerized systems that are anticipated in 1989. For example, the Legal Case Management System (CMS) will permit the status of assets in litigation to be determined via LAMIS.

Closing Activity

DOL handled 200 failed bank cases in 1988. Nearly three-fourths of the 1988 failures took place in three states — Texas (113), Oklahoma (23) and Louisiana (11). Forty of the 113 Texas failures occurred on July 29, 1988, when the 40 Texas bank subsidiaries of First RepublicBank Corporation, Dallas, Texas, were closed — the largest number of failures in any one day in the history of the FDIC. The banks of the First Republic system, including the $17.0 billion-asset lead bank in Dallas, had total assets of approximately $32.5 billion.

Federal regulators approved the acquisition of the 40 Texas bank subsidiaries of the First Republic system by NCNB Corporation, Charlotte, North Carolina, in an arrangement that ensured the full protection of all depositors and general creditors, and the continued operation of all banking offices without interruption.

The Division successfully carried out the FDIC's responsibilities as receiver for First RepublicBank institutions by transferring their assets and liabilities to a newly-chartered bank, NCNB Texas National Bank, over the weekend of July 29. The transfer involved the use of DOL personnel from the Dallas Regional Office supplemented by additional staff from DOL's five other regions throughout the country.

When the FDIC is notified of an imminent insolvency by the bank's primary regulator, DOL develops a bid information package for that particular bank. The bid package contains both financial and non-financial information about the bank that helps the Division of Bank Supervision develop a recommendation to the FDIC's Board of Directors on the type of transaction to be attempted ("whole bank" or other variety of purchase and assumption, insured deposit transfer or payoff). The package is distributed to potential bidders so they can make an informed decision in submitting a bid on the proposed transaction. DOL began preparing bid information packages for failed banks in late 1988. The task formerly was handled by the Division of Bank Supervision.

When bid packages are being prepared in anticipation of handling a failed bank, DOL also conducts a detailed asset valuation review. The purpose of the asset valuation review is to provide the FDIC's Board of Directors with an estimate of the loss in a failing bank to determine the cost-effectiveness of transactions where the FDIC is attempting to arrange a total asset purchase and assumption of liabilities (whole bank transaction) or open bank assistance. The information developed by the Division does not substitute for an examiner review; it supplements examination data so the best possible estimate of the FDIC's cost in the event of a liquidation can be determined. DOL conducted 198 detailed asset valuation reviews in 1988.

In another closing activity, the Division of Liquidation was called upon in May 1988 to help the Farm Credit Administration (FCA) with a huge challenge it faced. The FCA needed to close the insolvent Federal Land Bank of Jackson, Mississippi, and its 90 branches. The Jackson bank is one of 12 federal land banks within the Farm Credit System, a $50 billion nationwide network of borrower-owned banks and lending institutions. This was the first closing since the land bank system began back in 1917, and the task was complicated by the Jackson bank's diverse locations in three states: Alabama, Louisiana and Mississippi. The FCA turned to the FDIC, with its extensive experience, for help with handling the closing procedures. A force of some 220 FDIC liquidators provided technical assistance to 138 FCA specialists, and the closing was completed without major problems.

When the Jackson bank offices were closed, FDIC liquidators took possession and control of their assets and made an inventory. The FDIC's Division of Accounting and Corporate Services also was involved; its staff produced a "pro forma," bringing all of the land bank's records together to standardize them to the date of the closing and produce an adjusted Statement of Condition. The May 1988 event is believed to be the first two-agency, multistate closing of any type of financial services offices.

Legal Division

The Legal Division is essentially a large law office that provides various legal services for the divisions and offices of the FDIC, which are its clients. The Division's staff includes about 400 attorneys throughout the U.S.; 89 are located in the Washington headquarters office, while the remainder are located in the FDIC's regional and field offices.

More attorneys were hired by the Legal Division staff during 1988, reflecting increased workloads, especially in the Southwest, where a special office was established in Dallas in July to supervise specific litigation arising from the transaction involving First RepublicBank Corporation. The staffing of a new unit, the Assisted Acquisitions and Transactions Section, and heavier demands on the legal staff related to troubled and failing institutions, also led to an increase in the Division's staff in 1988.

Over the past three years, the Legal Division has developed a training program for its attorneys and paralegals that includes a training conference for most of them approximately every 18 months. In 1988 two major training conferences for legal staff took place at each of the Division of Liquidation's six regional offices. Along with general training programs, the Division presented specialty courses on management and procedures and policies of bank examination.

The FDIC's Regional Counsels and Managing Senior Attorneys held four meetings during 1988 on the general operation and policies of the Legal Division. These discussions helped the Division to meet its goals for the year. The Division's management also met during the year with each operating division client. These meetings greatly improved communication and helped to ensure that the Division was fulfilling its clients' needs for legal services.

Even though the Legal Division's case load lightened somewhat in 1988 — 15,168 cases on the litigation docket at year-end 1988, compared to 22,719 in 1987 — the extent of the FDIC's legal activities requires the use of private law firms to help handle the work. In 1988, 600 firms were used to handle over 6,700 cases, down from about 850 outside firms that handled over 10,200 cases in 1987.

The FDIC monitors all of its active cases, including those assigned to outside law firms, through the Case Management System (CMS), a computerized data base that contains specific information about each action. CMS permits the FDIC to track each piece of litigation separately. Information is entered in CMS when the case is filed or inherited (when a bank fails and the FDIC is named receiver, any litigation in which the failed bank was involved becomes part of the FDIC's portfolio). The file is continuously updated from status reports received from both inside and outside counsel. An important feature of CMS is its ability to monitor fees and expenses

COMPLIANCE AND ENFORCEMENT ACTIONS, 1986—1988

	1988	1987	1986
Actions Initiated by FDIC	**223**	236	216
Section 8(a) (Termination of Insurance Orders)			
Orders of Correction Issued	**77**	91	59
Notices of Hearing Issued*	**10**	18	11
Section 8(b) (Cease-and-Desist Orders)			
Notices of Charges Issued	**26**	31	28
Orders Issued With Notice*	**24**	16	26
Orders Issued Without Notice	**74**	89	97
Section 8(c) (Temporary Orders)*	**5**	3	8
Section 8(e) (Removal/Prohibition of Director or Officer)			
Notices Issued	**10**	5	8
Orders Issued With Notice*	**14**	8	24
Orders Issued Without Notice	**19**	13	8
Section 8(e)(4) (Suspensions Issued)*	**0**	0	2
Section 8(g) (Suspension/Removal of Director or Officer Charged With Felony)			
Notices Issued	**1**	2	1
Permanent Orders Issued	**0**	0	0
Section 8(p) (Termination of Insurance/No Longer Accepting Deposits)			
Orders Issued	**5**	1	1
Civil Money Penalties Issued	**10**	3	14
Capital Notices Issued	**1**	1	0
Capital Directives Issued*	**1**	1	1

* Not counted as separate proceedings and therefore not included in total actions initiated.

associated with litigation efforts.

The FDIC's Legal Division is organized into open (operating) and closed (failed) bank functions, reflecting the overall organization of its clients, the FDIC's divisions and offices. The open bank side deals with matters arising from the FDIC's supervisory responsibilities, open bank litigation, regulation and legislation, compliance and enforcement and assisted transactions and acquisitions. The closed bank side handles closed bank litigation, regional affairs (overlapping with open banks), directors and officers liability and bond claims. The administrative section, which overlaps both open and closed bank functions, is responsible for administrative aspects of the Legal Division, including personnel matters, training for Division staff, the Division's budget, and regional affairs relating to both open and closed banks.

Compliance and Enforcement

As a bank regulator, the FDIC monitors compliance with banking laws and works to ensure the continued safety and soundness of the financial institutions under its regulatory jurisdiction. The Compliance and Enforcement Section of the Legal Division provides legal support, advice and counsel to the Division of Bank Supervision (DBS) and prosecutes civil enforcement actions on behalf of DBS against banks or bank-related individuals whose activities pose a threat to the depositors of the bank. Compliance and Enforcement is analogous to a "district attorney's office" for DBS, which must "police" the banking industry through such administrative actions. DBS and Compliance and Enforcement are the first lines of protection for the federal deposit insurance fund.

CEASE-AND-DESIST ORDERS, 1986—1988

	1988	1987	1986
Cease-and-desist orders outstanding at beginning of year — total	**295**	336	341
Section 8(b)	**292**	334	335
Section 8(c)	**3**	2	6
Cease-and-desist orders issued during year — total	**101**	123	135
Section 8(b)	**96**	120	127
Section 8(c)	**5**	3	8
Cease-and-desist orders terminated — total	**140**	148	152
Section 8(b)	**137**	147	145
Section 8(c)	**3**	1	7
Cease-and-desist orders in force at end of year — total	**267**	295	336
Section 8(b)	**262**	292	334
Section 8(c)	**5**	3	2

A total of 226 administrative proceedings were initiated in 1988, on a par with the 237 in 1987. In keeping with the FDIC's commitment to reducing insider abuses, enforcement actions against individuals were emphasized. In 1988, 29 removal and prohibition actions were brought and ten civil money penalty actions were initiated, involving a total of 69 individuals. In 1987, 18 removal and prohibition actions and three civil money penalty actions were initiated, involving a total of 39 individuals. (A single administrative action may be brought against several individuals, especially when the criticized action involves individuals acting in concert with one another.)

As the accompanying table shows, the level of total enforcement actions has not eased, reflecting the FDIC's continuing efforts to stop unsafe and unsound banking practices.

Cease-and-desist orders are used to halt and correct unsafe or unsound banking practices committed by banks or individuals related to those institutions. Cease-and-desist orders are still the most common administrative enforcement tool, and the use of them has remained fairly constant.

Litigation activity of enforcement actions in 1988 remained at about the same level: In 1988, ten cases went through full administrative hearings, compared to 14 in 1987.

►*(Left to right) Bennett Reynolds, Case Management Technician; Laurette Powell, Legal Technician; Ronald Hubert, Legal Technician*

Open Bank and Corporate Litigation

This section of the Legal Division represents the FDIC in its corporate or supervisory capacity. Significant court decisions in 1988 evolved from the following cases.

FDIC v. Mallen

In May 1988, the United States Supreme Court reversed an Iowa district court decision which had held unconstitutional section 8(g) of the Federal Deposit Insurance Act, 12 U.S.C. 1818(g), which sets out the procedures used by the FDIC to suspend bank officers indicted for crimes. The Court found the statutory 90-day period for the agency to hear and consider a challenge to a post-indictment suspension to be within constitutional limits and noted, with approval, Congress's expectation that suspensions of indicted officers would be "routine."

First RepublicBank Corporation v. FDIC

In November 1988, the three statutory creditors' committees of First RepublicBank Corporation jointly instituted suit against the FDIC on behalf of First Republic. The suit alleges that both the March 1988 interim assistance transaction, in which the FDIC loaned $1 billion to First Republic and guaranteed depositors and unsubordinated general creditors of the First Republic subsidiary banks against loss, and the July bridge bank transaction in which the First Republic subsidiary banks' assets and certain of their liabilities were assumed by NCNB Texas National Bank, exceeded the FDIC's statutory authority. The committees seek, among other things, to prevent the FDIC from prosecuting, in the First RepublicBank Corporation bankruptcy, its claim arising out of the billion dollar loan, to void guarantees of that loan by the holding company, and to recover the value of allegedly solvent First Republic subsidiary banks whose assets were transferred to NCNB Texas National Bank. The litigation is in the early stages and is expected to continue for several years.

FDIC v. Michigan National Bank

In June 1987, Michigan National Bank agreed to pay the full amount of a disputed deposit insurance assessment. As a result, the FDIC and Michigan National agreed to a dismissal of this litigation.

Pogue v. FDIC

In March 1988, the U.S. Court of Appeals for the Sixth Circuit, in a decision from the bench, upheld a $90,000 civil penalty against a bank president and director for multiple violations of Federal Reserve Board Regulation O, which relates to loans by a bank to executive officers, directors and principal shareholders. The court held that such a penalty was neither arbitrary, excessive nor disproportionate to the sanctions issued to other bank directors.

Gerlach v. U.S.

In January 1988, the United States District Court for the Central District of California dismissed the complaint of a

►*(Left to right) Denise Neese, Secretary; Lynne Thomas, Paralegal Specialist; Arturo Vera-Rojas, Senior Regional Attorney*

◄*(Left to right) Charlotte Roberson, Legal Technician; Ruth Moore, Secretary; Richard Owen, Regional Attorney* former FDIC employee who was terminated from his job. The court held that the Federal Tort Claims Act does not apply to discharges of federal employees and that the FDIC could discharge excepted service employees summarily because Title V protections do not apply to them.

Assisted Acquisitions and Transactions

In response to the increasing volume of requests from banks for financial assistance, in June 1988 the Assisted Acquisitions and Transactions Section was formed within the Legal Division to handle assistance transactions. The section drafts and negotiates agreements for open bank assistance and provides legal support for related financial transactions, such as the sale of securities acquired in assistance transactions.

Open bank assistance transactions have increased over the last few years as follows: in 1986 seven transactions were consummated; 19 were completed in 1987; and in 1988 the number increased to 21 transactions. Two sizable transactions took place in 1988 — one involving the recapitalization of the subsidiary banks of First City Bancorporation of Texas and the other involving the restructuring and recapitalization of the subsidiary banks of First RepublicBank Corporation.

The First City Bancorporation of Texas transaction, which evolved over nine months of negotiations, concluded on April 20, 1988. The rehabilitation plan included the raising of $500 million in new capital through a stock offering arranged by Donaldson, Lufkin & Jenrette Securities Corporation and Drexel Burnham Lambert Incorporated, and the formation of a new holding company by new private investors, led by A. Robert Abboud. FDIC assistance took the form of a $970 million note. Approximately $1.7 billion in nonperforming and troubled assets were transferred to a separate entity created to service such assets, funded by notes from the First City subsidiary banks. Collections by this new entity will go first to repay the subsidiary banks, then to the FDIC and finally to former shareholders. The FDIC purchased $43 million of junior preferred stock convertible into a 10 percent interest in the common stock of the restructured First City and has received warrants, exercisable for five years, to purchase an additional five percent of the common stock of First City.

The First RepublicBank Corporation transaction involved three distinct stages: emergency assistance; bridge bank transactions; and financial assistance. The first stage occurred in March 1988 when the FDIC provided the subsidiary banks of First RepublicBank Corporation with $1 billion in emergency assistance in the form of a six-month subordinated note. The note was guaranteed by First RepublicBank Corporation and collateralized by a pledge of certain assets of the holding company.

The second stage, the bridge bank transactions, took place in July and August 1988. In July a bridge bank called NCNB Texas National Bank was established, with 100 percent of the voting stock owned by NCNB Corporation, Charlotte, North Carolina. As receiver of First Republic's failed 40 Texas bank subsidiaries, the FDIC transferred their assets and most of their liabilities to NCNB Texas National Bank. In August the FDIC, as receiver, transferred the assets and liabilities of First RepublicBank Delaware, primarily a credit card operation, to a newly

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►*Steven L. Nash, Paralegal Specialist*

◄*Douglas Jones, Deputy General Counsel*

►*Diane Kowal, Paralegal Specialist*

chartered bridge bank, Delaware Bridge Bank, National Association. In September Citibank (Delaware) purchased the credit card receivables of the Delaware Bridge Bank.

The final stage of the First Republic transaction took place in November, when the FDIC provided financial assistance of $840 million to NCNB Texas National Bank, while NCNB Corporation infused $210 million in new equity capital. The FDIC's total assistance was approximately $3.0 billion, including the $1 billion emergency assistance provided in March. Additional outlays will be determined over the next two years, depending on the performance of existing loans and associated servicing costs.

Closed Bank Litigation

When a bank closes and the FDIC is appointed receiver, it "inherits" the rights and liabilities of the bank, which may include ongoing litigation or litigation brought by the FDIC in its receivership capacity. A description of the significant cases decided in 1988 follows.

FDIC v. Ernst & Whinney

The FDIC initiated this litigation, seeking damages of approximately $250 million, based on the allegation that United American Bank, Knoxville, Tennessee, City and County Bank of Anderson County, Lake City, Tennessee and First Peoples Bank of Washington County, Johnson City, Tennessee, sustained tremendous losses as a result of the failure of Ernst & Whinney to perform audits in accordance with generally accepted auditing standards. The litigation is in the early stages.

FDIC v. Main Hurdman

The FDIC initiated this litigation shortly after it provided assistance to Continental Illinois National Bank and Trust Company of Chicago, Illinois, in September 1984. The litigation is based on audits performed by Main Hurdman in 1980 and 1981 for Holt Leasing Company, a borrower from Continental Illinois. The loans to Holt Leasing were advanced in reliance upon Main Hurdman audit work. The FDIC seeks approximately $60 million in damages for alleged deliberate and fraudulent misrepresentation by Main Hurdman. The FDIC pled negligence in the alternative. The litigation is ongoing.

FDIC v. Bank of Boulder

In September 1988 the Tenth Circuit Court of Appeals reversed a district court decision and held that under 12 U.S.C. 1823(c)(2)(A) and federal common law, the FDIC Corporate could acquire assets from the FDIC Receiver in a purchase and assumption agreement that were otherwise nontransferrable under state law or by their own terms.

The case involved a standby letter of credit issued by the Bank of Boulder, Colorado, that later came into the possession of the FDIC Receiver when the beneficiary bank was declared insolvent. As part of a purchase and assumption transaction, the FDIC Corporate purchased certain assets including the Bank of Boulder letter of credit. Subsequent attempts by the FDIC Corporate to draw on the letter of credit were refused by the Bank of Boulder. The FDIC Corporate brought suit in the United States District Court for the District of Colorado for payment on the letter of credit.

The Tenth Circuit has granted a request from the Bank of Boulder for Rehearing *En Banc*. The American Bankers Association as *amicus curiae* has filed a brief in support of the Bank of Boulder. A decision is expected in 1989.

Directors and Officers Liability

Negligence or willful misconduct on the part of directors or officers often contributes to a bank's failure. Each bank failure is investigated to determine whether claims should be brought against the bank's former officers and directors. During 1988 the FDIC further systematized and streamlined its initial investigative process and increased efforts to identify at an early stage those investigations that were unlikely to produce viable cases. Despite the record number of bank failures in 1988, through these efforts by the the Division of Liquidation's Investigative Units and the Legal Division the number of active investigations declined slightly to 275 from 300 a year earlier. At the same time, the number of cases in active litigation grew to 100 at year-end from 80 at the end of 1987.

During 1988 the FDIC tried three significant cases. In the first, *FDIC v. Hudson*, all but two directors settled before trial. The jury found the two remaining defendants liable for a total of more than $1 million. In *FDIC v. Bryan*, the jury found the directors of an Oklahoma bank liable for over $3 million in losses suffered in their bank. In *National Union v. FDIC*, the directors and officers of United American Bank of Knoxville had previously settled with the FDIC. As part of that settlement, they assigned their rights against their insurance carrier to the FDIC. In this non-jury trial, the court awarded over $16 million to the FDIC. Total recoveries in 1988 on claims against directors and officers exceeded $64 million, up from $59 million in 1987.

Division of Accounting and Corporate Services

Throughout 1988 the Division of Accounting and Corporate Services continued to support the financial, accounting, automation and service needs of the FDIC through its three branches, Financial Services, Management Information Services and Corporate Services.

Financial Services Branch (FSB)

Corporate Accounting

Due to the record number of failed and assisted banks in 1988, the volume and complexity of accounting data processed by DACS financial systems increased dramatically. More than 2.9 million accounting transactions were processed, an increase of 52 percent over 1986 and a 10 percent increase over 1987.

During the course of the year, FSB processed work from 19 nationwide locations for 848 banks in liquidation. Although the number of locations was 27 percent lower than 1987, the number of individual banks increased 24 percent.

To meet the challenge of the increased workload, FSB again turned to two methods that proved successful in 1987: providing additional training for staff and enhancing the capability of automated financial systems. As a result, the additional volume of work was not only absorbed, but processed with 20 percent less staff than in 1987.

Other objectives accomplished during 1988 included the formation of a regional processing center in Kansas City, the establishment of a payment processing center in Chicago, reconciliations of both corporate and liquidating bank assets, and the expansion of the FDIC's tax functions.

Assessments and Financial Operations

To insure deposits in more than 13,000 U.S. financial institutions, the FDIC assesses an annual fee on insured banks of 1/12 of 1 percent of the bank's average deposits. In addition to verifying the deposit amounts and collecting the assessments, FSB provides a staff of field auditors who conduct assessment audits of the largest commercial banks during a three-to-five-year cycle.

FSB collected $1.8 billion in assessment revenues from 14,275 banks in 1988. (In 1987, $1.7 billion was collected from approximately 14,500 banks.) As the result of field audits of 56 of the 500 largest insured banks, an additional $8 million was collected in 1988.

More than 71,000 accounts payable documents, nearly 63,000 travel reimbursement documents and approximately 4,800 relocation voucher documents were processed by FSB in 1988.

Financial Systems

As the volume and complexity of financial information requests grew in 1988, so did reliance on the FDIC's Financial Information System (FIS). One of the Corporation's largest computer systems, FIS contains all of the FDIC's general ledgers and detailed subsidiary data to support the ledgers.

The Financial Systems Section is dedicated to managing FIS and its related subsystems. During 1988 enhancements to FIS enabled the system to accommodate regional processing center needs and respond more quickly and

► *Sherri Roberson, Operating Accountant*

◄ *Arlyn Hill, Supervisory Accountant*

◄ *John Davis, Senior Accountant*

accurately to increased information requests. In support of initiatives from the Office of Budget and Corporate Planning, FIS tables and programs were changed to account for the revised program budgets. Also, additional reports were transmitted to field sites to improve information response time.

To provide a basis for evaluating proposed system changes and to ensure that newly developed procedures operated as intended, the Financial Systems Section continued to update its systems documentation in 1988. The section also continued to support training efforts by providing assistance on new systems procedures in classrooms and at conferences.

Accounting Policy and Fiscal Controls

To safeguard assets and to ensure accurate financial reporting, effective accounting policy and procedures remained a major area of emphasis in 1988. To fulfill this function, the section was involved in diverse activities, including a review of the Cash Management Unit, the preparation and publication of the first Chart of Accounts Manual (which contains descriptions of all Corporation and liquidation accounts), the automation of various field accounting processes and procedures, and the development of the newly required Statement of Cash Flows in the Corporation's financial statements.

The Accounting Policy and Fiscal Controls Section also provided project management for the development of the new automated, decentralized Check Reconciliation System and the Liability/Dividend System. The section also continued to be instrumental in developing the Corporation's loan loss reserves and analyzing certain assistance transactions.

Management Information Service Branch (MISB)

Computer Technology

The demand for computer support grew at a phenomenal rate in 1988. Unlike past years, when the workload handled by the FDIC's central computer rose an average of 20 percent annually, 1988 saw a 40 percent rise in work processed.

To meet this increased demand and to improve response time, the FDIC's central processing unit was replaced at the end of 1988 with a more sophisticated model. The new computer is approximately 50 percent faster than the one it replaced.

The use of microcomputers continued to grow in 1988 as new local area networks were established to take advantage of modern office automation technology. The networks, which permit authorized microcomputer users to gain access to information on the FDIC's central computer, are designed to improve efficiency and cut costs by standardizing computer capabilities. The advantages of such networks include the electronic transmission of documents, the sharing of data and equipment, and access to word processing, spreadsheet software and other customized applications. The nationwide conversion to local area network systems began in late 1987 and continued through 1988.

System Development and Maintenance

Major developmental activities in 1988 involved three computer systems: the Banking Information Tracking System (BITS); the Secondary Marketing Asset Pricing System (SMAPS); and the Legal Case Management System (CMS).

BITS functions as an umbrella for several related banking systems and serves as a single source for information previously gained through a variety of automated and manual procedures. Largest among the systems included in BITS is the FDIC On-Line Communications System (FOCUS). FOCUS is a complex data retrieval system that provides structure and financial data obtained from various FDIC data base files and displays that data in formatted report screens. Information available through FOCUS ranges from Call Report and Report of Examination data to specialized information about a bank's management changes and performance ratios. Other systems available through BITS include Summary Analysis, Capital Asset Quality Earnings Liquidity, Uniform Bank Performance, Failing Banks, Applications Analysis and Bank Profile.

SMAPS helps FDIC asset marketing personnel to identify, package, market and price loans acquired from closed banks. Using the system, FDIC personnel match loans against potential investors. SMAPS also generates marketing and sales reports, computes the price of loans and monitors investor response to specific portfolios. SMAPS was used to identify approximately 25,000 assets, out of more than 100,000 on file, for some type of marketing effort in 1988.

CMS contains information on approximately 75,000 active, inactive or closed legal cases. The system tracks such data as the individual case name, type (litigation, bankruptcy, foreclosure, etc.), claim amount and status. In consolidated field offices, the system is used by staff attorneys to monitor case loads and supervise the outside law firms working for the FDIC. In the FDIC's regional offices, CMS is used by managing attorneys to keep track of statistics such as the number of cases assigned to individual attorneys and fees from outside law firms. In the Washington office, executive managing attorneys use the system to monitor active, inactive or closed cases for planning and budgeting purposes.

The maintenance of existing computer systems played an important role in the Management Information Services Branch (MISB) in 1988. In addition to maintaining dozens of smaller systems, MISB personnel enhanced and expanded the Liquidation Asset Management Information System (LAMIS) and the Financial Information System (FIS).

LAMIS, the FDIC's largest computer system, is used by liquidators and accountants at locations across the country to manage assets acquired from failed banks. In response to the needs of the Division of Liquidation, LAMIS personnel accomplished a major goal in 1988 by completing the multi-year project of automating the entire inventory of failed bank assets maintained by the FDIC's regional offices.

FIS continued to control the FDIC's public payments, maintain budgets and general ledgers, produce financial reports and maintain FDIC accounting records and individual ledgers for failed banks in the process of liquidation. During 1988 an automated interface from LAMIS to FIS was implemented, which provides for the daily transfer of journal entries from the LAMIS loan subsystem to the liquidated bank's general ledgers.

Corporate Services Branch (CSB)

The Corporate Services Branch (CSB) continued to provide a wide variety of services to support the FDIC's day-to-day business operations in 1988. CSB functions include: maintaining the FDIC's property, facilities and supplies; administering contracts; providing health care services and education to Washington headquarters personnel; distributing mail; designing and printing publications such as this report; and responding to requests for information through the research resources of the FDIC's library.

As the need for these support services increased in 1988, CSB used computer technology wherever feasible to modernize its operations. For example, the FDIC library, which responded to approximately 4,300 requests for information in 1988, acquired an integrated automation system. The system automates such major functions as indexing and routing the library's vital collection of banking literature, law publications and other reference material. As a result, the library increased its efficiency in supplying information to FDIC employees in Washington and the regional offices.

Similarly, the Contracts and Acquisitions Unit began the first full year of processing procurements on the automated Walker Purchase Order System (POS) during 1988. The POS, which is integrated with other FDIC financial systems such as Accounts Payable and General Ledger, will be used to handle information on over 3,000 contracts and purchase orders in 1989. The diversity of these contracts ranges from acquiring highly technical professional services to purchasing ordinary office supplies.

Bank Financial Reporting

Insured banks file quarterly Reports of Condition and Income

►*(Left to right) Ron Baker, Chief, General Accounting Unit; Karen Hughes, Chief, Policy Control and Analysis Unit; Cathy Jordan, Senior Accountant; Ralph Elosser, Chief, Corporate Accounting Section*

►*Al Kitchen, Assistant Director*

(Call Reports) and other types of financial information about their performance. In 1988 the Bank Financial Reporting Section (BFR) received and processed nearly 70,000 original and amended Call Reports from approximately 13,000 reporting banks.

To help bank personnel prepare Call Reports, BFR in conjunction with state banking associations again produced a satellite teleconference at which Call Report requirements were explained. Further assistance to Call Report preparers continued to be available through the toll-free telephone "hotline" established in 1987 (1-800-424-5101). Training plans for 1989 include developing and conducting courses for personnel at mutual savings banks on changes to the MSB Call Report that went into effect in March 1989.

The electronic transmission of Call Report data began in 1987 and increased during 1988, when more than 1,400 reports were transmitted electronically. During 1988, BFR reduced the time needed to process uniform bank performance reports and surveillance reports from 75 to 70 days. As a result, the published information was available sooner. BFR continued to support production of the *Quarterly Banking Profile*, a statistical compilation that is the earliest official release of performance data about the banking industry.

New Operations and Training Center

Detailed planning for the FDIC's new operations and training center progressed in 1988. Construction was to begin in early 1989 and is scheduled for completion in 1991.

Located on a 9.5-acre site about five miles from the FDIC's downtown Washington headquarters building, the complex will consist of both an office building and a residential building.

When completed, the seven-story office building will house training facilities for the FDIC and the Federal Financial Institutions Examination Council. The FDIC Computer Center and other support functions will also move to the new office building.

The 12-story residential building will contain 350 rooms for personnel attending training classes. (In 1988, the FDIC offered classes at leased facilities to almost 5,000 students, including FDIC personnel, employees from state banking departments and other financial institution regulators, and representatives of foreign countries.)

The new training facility will enhance the quality of the FDIC's training programs and accommodate the necessary expansion of its administrative support activities. The Corporation expects to realize long-term savings from consolidating several leased facilities into one FDIC-owned building.

Corporate Support Offices

Standing Committees

The FDIC's Board of Directors has established five standing committees to assist in handling matters that come before the Board. The committees are: the Committee on Management; the Bank Supervision Review Committee; the Committee on Liquidations, Loans and Purchases of Assets; the Audit Committee; and the Electronic Data Processing Steering Committee.

The standing committees meet regularly and either review matters over which the Board of Directors has retained exclusive authority and submit recommendations, or take final action on matters, mainly related to liquidation and receivership activities, under authority delegated to them by the Board of Directors. The Committees submit reports to the Board of Directors when asked to do so.

Office of the Executive Secretary

Acting as the FDIC's corporate secretary, the Office of the Executive Secretary (OES) gives public notice of meetings of the Board of Directors, records all votes and minutes of the meetings and maintains corporate records. OES also acts as corporate secretary for certain standing committees. In 1988, OES performed those functions for 108 Board meetings and 108 committee meetings.

OES also maintains an index of official actions taken by the Board of Directors and by committees and officers of the FDIC exercising authority delegated by the Board of Directors. The index has been automated since 1984 and eventually will reference all Board minutes and delegated authority actions since the FDIC was established in 1933.

In its extensive role in processing administrative enforcement actions, OES reviews documents, prepares transmittal correspondence, establishes and maintains docket files and responds to inquiries about the status of administrative actions.

OES ensures FDIC compliance with the Freedom of Information Act (FOIA) and the Privacy Act of 1974. In 1988 the FDIC received 841 FOIA requests, compared to 925 in 1987. Also in 1988, OES continued its comprehensive review of its Privacy Act systems of records and began developing a training program on the Privacy Act for FDIC employees.

OES performs all editorial work on the FDIC loose-leaf reference service, which contains the Federal Deposit Insurance Act, FDIC rules and regulations, and related statutes and regulations of interest to the banking community. Supplements to the service are distributed six times each year to insured banks, FDIC employees, congressional committeees, federal and state agencies and private subscribers.

As the FDIC's ethics counselor, OES manages the FDIC's ethics program. Through a network of 92 deputy ethics counselors, the OES Ethics Unit reviews approximately 6,400 financial disclosure reports and confidential statements of employment and financial interests filed by FDIC employees. The Ethics Unit also develops and conducts training programs on standards of conduct and related ethics matters. During 1988 over 1,700 FDIC employees participated in these programs. An ethics videotape, developed in 1987, has been viewed by over 5,000 employees. The videotape has been made available to other government agencies and has been reproduced in an open-captioned version for hearing-impaired employees. Also during 1988, the FDIC Board of Directors approved substantive revisions of Part 336 of the FDIC's regulations, entitled Employee Responsibilities and Conduct, which became effective on November 29, 1988.

An Executive Order and FDIC rules and regulations prohibit FDIC employees from accepting gifts in their official capacity from private sources. The FDIC's Ethics Office oversees the disposal of gifts received by either returning them to the sender, if possible, or donating them to nonprofit organizations such as The Children's National Medical Center, homes for senior citizens, women's shelters and the Special Olympics.

OES coordinates the FDIC's compliance with the Paperwork Reduction Act of 1980. During 1988 the FDIC achieved a net paperwork burden reduction of 151,691 hours for the banks it supervises. The reduction represents almost 11 percent of the total burden hours imposed by the FDIC at the beginning of 1988. Most of the reduction (139,646 hours) resulted from changes to the quarterly reports of condition and income required of insured banks.

Office of Corporate Communications

The Office of Corporate Communications (OCC) prepares and disseminates information about the FDIC and responds to inquiries from the media, the public, banks, students and others.

As part of its responsibility for interfacing with the media, OCC arranges interviews with reporters and appearances on local and national radio and television for Chairman Seidman and other senior Corporation officials. OCC also assists the media by arranging briefings on important developments. In 1988 press conferences or briefings were held to announce major bank transactions such as the failure of First RepublicBank Corporation's subsidiary banks. Special briefings on banking legislation also were held. In addition, OCC continued to hold the quarterly briefings on the banking industry's performance. OCC also provides relevant materials to media representatives who attend open sessions of FDIC Board meetings.

In 1988 OCC began using facsimile transmission (FAX) to distribute information about FDIC actions to the press. The use of FAX permits OCC to notify news wire services and individual newspapers when banks fail in the local area within minutes of the acquisition or closing of an institution. The public thus learns about the transaction without delay and confidence is maintained among depositors and creditors of the failed bank.

Along with using FAX to distribute information, OCC staff continue to respond via telephone and mail to numerous questions and requests for information about deposit insurance, bank failures, the condition and history of the U.S. banking system and many other topics.

The OCC filled thousands of requests for FDIC publications in 1988, including more than 1,200 requests for the new *FDIC Banking Review* within the week after its publication. The popularity of *The Quarterly Banking Profile*, which was introduced last year, continues; hundreds of requests for this publication were processed last year.

OCC also handles subscriptions and renewals for the FDIC's Rules and Regulations loose-leaf service, prepares the *FDIC NEWS* for the Corporation's employees, and produces the FDIC's Annual Report.

Office of Legislative Affairs

The Office of Legislative Affairs (OLA), which is the FDIC's liaison with Congress, advises the Board of Directors on legislative issues, coordinates the drafting of proposed legislation, prepares testimony, responds to congressional inquiries and represents the FDIC's interests before the Congress on legislative and other matters.

OLA coordinates answers to written correspondence from congressional offices with other FDIC divisions before providing timely replies. Telephone inquiries, which often require similar coordination, were usually answered within one day. During 1988, OLA also prepared testimony for seven appearances by Chairman Seidman before congressional committees.

To promote legislation important to the operations of the FDIC, OLA meets with members of Congress and their staffs to provide them with relevant information and to explain the need for the legislation. As a result of OLA's activities in 1988, Congress enacted tax provisions important to the FDIC as part of The Technical and Miscellaneous Revenue Act of 1988 (TAMRA), which was signed into law on November 10. These provisions deal with failed and failing institutions. First, they clarify the tax treatment of assistance payments, net operating losses and built-in losses by extending to the FDIC, with some modifications, provisions previously applicable only to the Federal Home Loan Bank Board. Second, they provide the IRS with authority to issue regulations permitting the FDIC to file returns for — and receive funds owed to — failed banks when a failed bank is a member of a holding company.

In the upcoming year, the Office of Legislative Affairs will work to secure enactment of legislation dealing with:

- *Troubled Thrifts*. By providing testimony and through congressional staff discussions, OLA will work to complete a legislative solution to the escalating thrift crisis. The FDIC's study, *Deposit Insurance for the Nineties — Meeting the Challenge,* together with the Administration's recommendations, will be the basis for legislative action. Priorities include financial, regulatory and structural reforms to the deposit insurance system. Areas of particular interest to the FDIC include preservation of a financially and organizationally independent insurance fund, controlling insurance costs by acting more like a private insurer and obtaining additional controls over revenues. OLA also will seek strengthened enforcement powers, including the ability to require cross-guarantees from affiliated institutions when one institution fails.

- *Bank Powers*. Prior efforts to make banks more competitive, while protecting the deposit insurance fund, will continue.
- *Tax Provisions*. The tax assistance provisions contained in TAMRA are scheduled to expire on December 31, 1989. OLA will work to retain the clarifications provided by these provisions.

Office of Research and Statistics

The U.S. deposit insurance system was the major subject of discussion and study in the Office of Research and Statistics (ORS) during 1988. At the request of Chairman Seidman, ORS, in conjunction with the Division of Bank Supervision's Office of Policy, undertook this review because of the growing realization that the deposit insurance system requires some fundamental changes if it is to continue to serve the purposes for which Congress created it over 55 years ago. The resulting study, *Deposit Insurance for the Nineties — Meeting the Challenge*, examines the FDIC's recent experience, and that of the FSLIC, and explores how to improve deposit insurance so it can become a cost-effective system for the Nineties. The study resulted in ten recommendations:

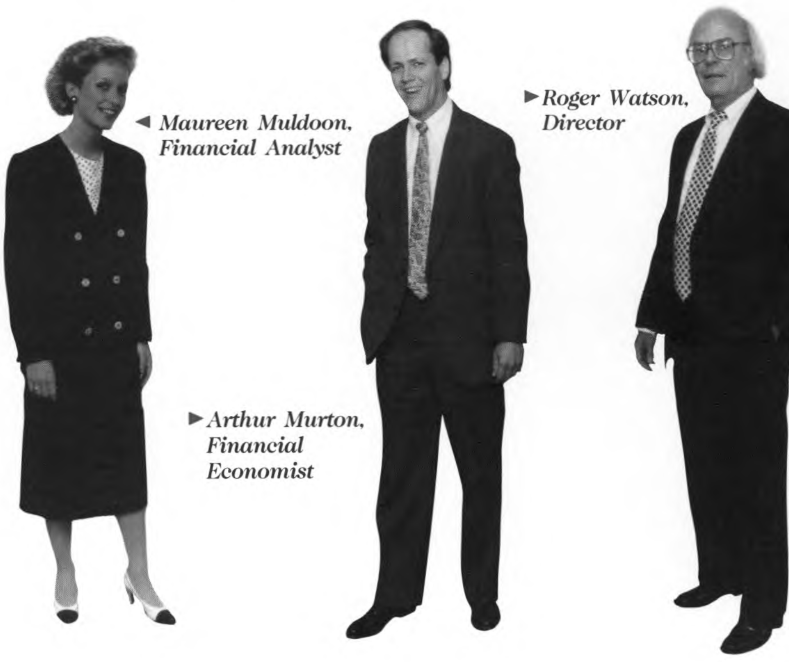
- Federal deposit insurance is here to stay; so our efforts must be to manage the system better.
- Federal insurers should be able to operate as much as possible like private insurers.
- The primary mission of federal insurers must be to maintain the integrity of their insurance fund, preventing undue risk-taking by insured institutions.
- Federal insurers should be separately budgeted, and not a part of the regular federal budget.
- Federal insurers should be able to set insurance premium rates that reflect loss experience.
- Federal insurers should have the right to decide who shall have deposit insurance, and be able to implement that decision swiftly.
- All insured institutions should be regulated according to common accounting and supervisory standards.
- All financial institutions that "buy" federal deposit insurance should be obligated, in addition to paying premiums, to guarantee the insurer against any insurance loss caused by other banks owned by a common parent.
- A banking structure should be established that limits risk inside the banks to traditional banking activities.
- The supervision of risk in financial institutions needs to be improved to prevent concentrations in portfolios, among other things.

Other studies conducted by ORS during 1988 dealt with resolution costs of bank failures, interest rate exposure of financial intermediaries and "derivative" mortgage securities. The results of these studies appeared in the *FDIC Banking Review*, a new FDIC publication.

Staff banking analyses are reported in the *Quarterly Banking Profile*, an FDIC publication that contains aggregate condition and income data for all FDIC-insured commercial banks as well as a brief discussion and graphical presentation highlighting significant developments and trends in the banking industry. Generally published within 75 days of the end of the reporting period, the *Quarterly Banking Profile* is the earliest official release of industry-wide aggregate banking data.

Office of Budget and Corporate Planning

The Office of Budget and Corporate Planning (OBCP) coordinates and oversees the FDIC's ongoing budget processes. Using general guidance from senior management, and specific instructions from OBCP, each component organization prepares its own budget and performance plan for analysis by OBCP. Following



◄ *Maureen Muldoon, Financial Analyst*

►*Arthur Murton, Financial Economist*

►*Roger Watson, Director*

a formal review of the individual submissions, OBCP prepares a unified budget and presents it to the FDIC's Board of Directors for approval.

Because of the increase in failed banks and resulting liquidation activities, many of the FDIC's field offices in 1988 were further consolidated to enhance efficiency. These changes increased the complexity of FDIC budgeting and added new challenges to the preparation of year-to-year comparative analyses.

The FDIC's 1989 budget (collected in 1988) emphasizes three concepts: program tracking, productivity/workload analysis and staff-year measurement. OBCP monitors actual performance against plans and budgets and provides senior management with periodic reports on significant variances, emerging trends and the achievement of goals.

Program tracking. For budget purposes, in late 1988 the FDIC's workload was organized into seven specific programs: applications, risk management, compliance, failing banks and assistance, closings, asset management and general administration. These programs represent the life cycle of banks and cut across organizational and expense lines that were previously difficult to quantify. OBCP will track these reclassified programs in 1989 and the resulting statistics will help the FDIC to allocate resources more efficiently in the future.

Productivity/workload measurement. The FDIC's 1989 budget, like the previous year's budget, reflects productivity/workload statistics and goals of the FDIC's divisions and offices. These productivity objectives (and results) form an important part of OBCP's effort to keep senior management informed about the Corporation's performance. They are vital to long-term resource planning and allocation efforts.

Staff year analysis. With staffing and benefits costs constituting more than 55 percent of the FDIC's budget, the computation of staff years (known as Full Time Equivalents, or FTE's, throughout the federal government) by pay period is a key component of all financial analyses. Staff years were closely examined in late 1988 and served as the basis for allocating the personnel-related portions of the 1989 budget. Related costs such as travel, office support and contract services, wherever applicable, will be refined in 1989 based on the knowledge gained from these analyses.

In addition to its budgeting role, OBCP increasingly served as an information source and special project team for other offices and senior management in 1988 because of its continuous access to financial, staffing and workload information about the FDIC.

Office of Corporate Audits and Internal Investigations

The operations of the Office of Corporate Audits and Internal Investigations (OCAII), which is the FDIC's professional internal auditor, serve to safeguard the FDIC's assets, perform a managerial control function for the Board of Directors and eliminate waste, fraud and inefficiency.

OCAII recommends improvements in fiscal and operational controls and provides audit reports to the FDIC Board of Directors and senior management. OCAII also coordinates its work with the U.S General Accounting Office (GAO) and provides consultation to the GAO in the conduct of its oversight activities.

In 1988, OCAII had audit and investigative responsibility for over $35 billion of assets, consisting of over $25 billion of Corporation assets and about $10 billion in assets of liquidation sites. OCAII also had the same responsibilities for the activities of over 8,000 FDIC employees. In 1988, OCAII issued audit reports on 258 receiverships, offices and corporate functions. Based on audit work performed during the year, OCAII identified numerous conditions and presented related recommendations to improve controls over operations, the efficiency and effectiveness of activities, and the integrity and accuracy of corporate and liquidation records. Productivity initiatives permitted OCAII to expand audit coverage while reducing fees for supplemental audit services almost 15 percent from 1987 levels and almost 50 percent in the last two years.

The investigative staff completed 16 in-depth investigations during the year. OCAII's investigations contributed significantly to the FDIC's efforts to promote employees' integrity, provide a positive environment in which the FDIC's activities can be conducted and combat fraud, waste and abuse.

On October 18, 1988, President Reagan signed the Inspector General Act Amendments of 1988 which establish Offices of Inspector General in 33 designated federal entities, one of which is the FDIC. In 1989, OCAII will be named as the Office of Inspector General and various requirements of the Act, such as semi-annual reporting to Congress, will be implemented.

Office of Consumer Affairs

The Office of Consumer Affairs (OCA) is responsible for monitoring consumer and civil rights issues and responding to complaints about bank practices that may be unfair or deceptive.

One of OCA's primary functions is handling complaints and inquiries received from consumers and others. OCA and consumer compliance personnel in the FDIC's regional offices reported a total of 3,890 complaints and 39,147 inquiries in 1988, an increase of five percent in complaints and 35.5 percent in inquiries over 1987. The toll-free telephone "hotline" (1-800-424-5488) is a major source of the Office's inquiries. Again in 1988, the topics that generated the most questions were deposit insurance (35 percent) and general banking information (13 percent).

In response to the public's growing concern about deposit insurance, OCA in a cooperative effort with representatives from other FDIC divisions and offices, produced a videotape on the subject, *FDIC Insurance — Protecting Your Deposits.* The videotape, available in English and Spanish, is designed to inform consumers, personnel of financial institutions and new FDIC employees about the basics of deposit insurance coverage. In December the FDIC began filling orders for the videotape.

OCA also is responsible for evaluating the adequacy of the FDIC's compliance examination program. During 1988, compliance examinations increased 34.5 percent (excluding visitations) to 2,988. With support from FDIC regional offices, OCA conducted three one-day seminars — in Wisconsin, Texas and California — for bankers in 1988. The purpose of the seminars was to help bankers comply with consumer-related laws and regulations, thus reducing the number of substantive violations found during examinations. Over 270 bankers from 196 institutions participated. Based on the success of these seminars, OCA plans to conduct three or four similar seminars during 1989.

In July, OCA sponsored its second annual Consumer and Community Group meeting. Topics discussed included: compliance examinations and consumer-related banking legislation, soundness of the deposit insurance system, liquidation of closed banks, bank supervision and safety and soundness. The meeting, attended by leaders of consumer and community groups, small and minority business representatives, and FDIC officials improved communication among these groups. As part of OCA's ongoing educational activities, an annual training conference was conducted in April for regional office and senior compliance examiners.

NUMBER OF OFFICIALS AND EMPLOYEES OF THE FDIC, 1987—1988 (Year-end)

	Total		Washington Office		Regional & Field Offices	
	1988	1987	**1988**	1987	**1988**	1987
Executive Offices*	**87**	90	**87**	90	**0**	0
Division of Bank Supervision	**2594**	2521	**113**	149	**2481**	2372
Division of Liquidation†	**3371**	4400	**27**	43	**3344**	4357
Legal Division	**904**	880	**163**	155	**741**	725
Division of Accounting and Corporate Services	**903**	1017	**524**	520	**376**	497
Office of Research and Statistics	**29**	27	**29**	27	**0**	0
Office of Corporate Audits and Internal Investigations	**59**	58	**47**	46	**12**	12
Office of Personnel Management	**96**	89	**96**	89	**0**	0
Office of Equal Employment Opportunity	**17**	16	**17**	16	**0**	0
TOTAL	**8060**	9098	**1106**	1135	**6954**	7963

* Executive Offices include the Offices of the Executive Secretary, Corporate Communications, Legislative Affairs, Budget and Corporate Planning and Consumer Affairs.

† Division of Liquidation totals include temporary employees, most of whom were employed by failed banks and assigned to field liquidations.

Office of Personnel Management

The Office of Personnel Management (OPM) plans, develops, implements and evaluates the personnel management programs of the FDIC. These programs include: (1) position management and position classification; (2) labor-management relations; (3) recruitment, staffing and placement; payroll; awards; (4) employee development and training; (5) employee performance evaluations; (6) grievances, disciplinary actions and appeals; (7) employee relations and services, including a health program; and (8) personnel records, reports and procedures to ensure the preservation of employees' rights under the Freedom of Information and Privacy Acts.

The total number of FDIC staff nationwide at year-end 1988 was 8,060, down nine percent from 9,098 a year earlier. Field office staff decreased almost nine percent, while the number of employees located in Washington, D.C., remained about the same. These and other staffing totals are shown in the above table.

OPM continued its active recruitment programs in 1988, especially for bank examiner (trainee) positions, with an emphasis on recruiting outstanding scholars and bi-lingual/bi-cultural, minority and female applicants. OPM reviewed over 2,800 bank examiner (trainee) applications, visited more than 285 colleges and universities and attended some two dozen job fairs and community outreach programs for minority and Hispanic groups. Through these efforts, the FDIC hired 250 new bank examiner trainees and 124 outstanding scholars (a GPA of 3.6 or above). The overall average GPA of those selected was 3.4. In addition, minority appointments increased seven percent.

The FDIC successfully completed the first full year of processing payroll and personnel actions under the U.S. Department of Agriculture National Finance Center, and began further payroll/personnel service enhancements with additional automated systems.

The government-wide annual leave transfer program was implemented in mid-1988, permitting federal employees, including FDIC staff, to donate earned annual leave to other employees for medical emergencies.

Training programs for FDIC employees increased significantly in 1988. About 300 individual training authorizations were issued during 1988, about twice as many as in the previous year. OPM conducted 160 on-site training sessions in regional and liquidation offices around the country in 1988, compared to 98 in 1987.

To keep pace with the FDIC's rapidly increasing use of microcomputers, OPM offered more courses to employees in 1988 on learning how to use them. A substantial increase in microcomputer training is anticipated in 1989 as the FDIC installs local area network systems in its offices across the country.

OPM also administers the Executive Development Program. Two sessions of the Executive and Management Leadership Seminar, a two-week residential program for senior level staff, were held for the first time in 1988 and two more sessions are planned for 1989.

OPM's Employee Relations Branch experienced a significant increase in its workload in 1988 as a result of increased activity in the labor-management relations area. The branch responded to many inquiries about the new Federal Employees Retirement System and changes to existing FDIC benefit programs.

OPM coordinates the nomination and selection of outstanding employees for the FDIC's annual awards. In 1988, Maren Hardy, public affairs specialist in the Office of Corporate Communications, Washington, D.C., won the Chairman's Award, which is presented to a non-examiner employee who has demonstrated devotion to duty, integrity and professional expertise; the Edward J. Roddy Award, which recognizes the exceptional career examiner who exhibits integrity, imagination and leadership, was presented to William D. Mitchell, Field Office Supervisor in Baton Rouge, Louisiana; and Thomas W. Louden, Jr., assistant to the director of the Corporate Services Branch of the Division of Accounting and Corporate Services, was selected for the Nancy K. Rector Award, presented to an employee who expands opportunities for personal or professional growth in others. Each winner received a cash award and a gift.

Each year the FDIC presents an award to an outstanding handicapped employee. In 1988, the winner was Nellie Marin, an administrative clerk in the FDIC's New York Regional Office. Born with a birth defect attributed to the drug thalidomide, which was banned in the U.S. after its potential effects on unborn children became known, Ms. Marin is known for her interest in helping handicapped children. She was honored by the FDIC for her competence in payroll and other tasks and as a word processor, her flexibility in performing multiple tasks without supervision and her willingness to accept new assignments.

Office of Equal Employment Opportunity

The Office of Equal Employment Opportunity (OEEO) manages the FDIC's affirmative action programs for minorities, women, the handicapped and disabled veterans. OEEO also administers discrimination complaint procedures. In 1988, OEEO prepared a second five-year affirmative action plan for minorities and women, which was reviewed by the Equal Employment Opportunity Commission. OEEO also prepared annual updates and affirmative action accomplishment reports for minorities and women, veterans and the handicapped during 1988.

Changes in the FDIC's workforce resulted in 98 requests for counseling and the filing of 31 complaints of discrimination. At year-end 1988, there were 47 Equal Employment Opportunity Counselors located throughout the U.S at regional, consolidated or field offices and at FDIC headquarters.

As part of its responsibilities, OEEO acquires equipment needed by employees to accommodate their disabilities. Requests for devices are evaluated by OEEO. Purchases in 1988 included a wheelchair, teletype and printer, phone amplifiers, lumbar support chairs and personal computers for visually handicapped and hearing-impaired employees. In addition, telephone devices for the deaf were installed in the Office of Personnel Management and the FDIC Credit Union.

During 1988 OEEO provided sign language interpreters for several events, enabling hearing impaired employees to participate in training classes, Awareness Week activities and the FDIC's annual awards ceremony. A new pamphlet, *Working With a Hearing Impaired Co-Worker,* was developed by OEEO and distributed to employees.

To further its outreach efforts to potential employees, OEEO conducted employment application workshops at Gallaudet University, Washington, D.C., the Maryland Department of Economic and Employment Development, District of Columbia Rehabilitation Services, University of Puerto Rico at Mayaguez and Humacao, and Catholic University, Ponce, Puerto Rico. In addition, OEEO participated in recruitment fairs at Haskell College in Kansas and Crown Point Institute of Technology, New Mexico. OEEO also provided exhibits about the FDIC at conventions, including the Hispanic Bar Association, NAACP, Federally Employed Women, League of United Latin American Citizens, U.S. Hispanic Chamber of Commerce and the President's Committee on Employment of People With Disabilities.

Through OEEO efforts, there were two participants from the United and South Eastern Tribes in the Job Training Partnership Act program; one was subsequently hired by the FDIC (the United and South Eastern Tribes recognized the FDIC in 1988 for its assistance in job placement). Under the Veteran's Administration unpaid work experience program, one person participated and was subsequently hired by the FDIC. Under the Outreach Program, six students from Washington, D.C., area high schools or universities were placed in various headquarters offices.

Training courses for FDIC employees initiated by OEEO during 1988 included: Sign Language, Equal Employment Opportunity for Managers and Supervisors, Career Strategies, The Promotable Woman, and the second Annual EEO Counselors Seminar.

Legislation and Regulations

Legislation Enacted in 1988

The Technical and Miscellaneous Revenue Act of 1988
(Pub. L. 100-647).

This Act extends to troubled banks assisted by the FDIC, until December 31, 1989, the special tax treatment formerly accorded only to FSLIC-assisted institutions. However, deductions for net operating losses, interest expenses and loan portfolio losses will be reduced to an amount equal to 50 percent of the tax-free FDIC (or FSLIC) assistance payments. The Act also provides that 50 percent of a failed bank's over-funded pension plan assets transferred to a bridge bank may be distributed to the benefit plan maintained by the bridge bank.

Anti-Drug Abuse Act of 1988
(Pub. L. 100-690).

This legislation amends the Bank Secrecy Act to (1) broaden the definition of "financial institution," for purposes of money laundering reporting requirements, to cover businesses similar to financial institutions, (2) require financial institutions to request and record identification for cash-like transactions over $3,000, and (3) permit the Secretary of the Treasury to target certain institutions or geographic areas for additional recordkeeping and reporting requirements with respect to currency transaction reports.

The legislation also amends the Right to Financial Privacy Act to (1) grant an exemption permitting government agencies to transfer records to the Justice Department to aid a criminal investigation, (2) grant an exemption from the notification requirements applicable to insiders of financial institutions, and (3) clarify that the "good faith" defense from liability currently available to financial institutions also applies whenever records exempted by the insider provision are furnished to law enforcement agencies.

Moratorium Extension
(Pub. L. 100-378).

This law extends for an additional year, until August 10, 1989, the moratorium on FSLIC-insured institutions converting to FDIC-insured institutions.

The Management Interlocks Revision Act of 1988
(Pub. L. 100-650).

This legislation changes the definition of management "control" from 50 percent to 25 percent, permits interlocks involving advisory and honorary directors in depository institutions with assets of no more than $100 million, allows interlocks resulting from the acquisition of a failed or failing institution to continue for five years after the acquisition, permits a limited exception for director interlocks between diversified savings-and-loan holding companies, and extends for another five years the existing 10-year grandfather provision for pre-1978 interlocks.

Fair Credit and Charge Card Disclosure Act of 1988
(Pub. L. 100-583).

This Act amends the Truth in Lending Act to require new disclosures in connection with applications and solicitations for all credit cards (including bank and retail store cards), and for "charge cards" as well. The Act requires the following credit card terms to be disclosed on or with all applications and solicitations to open a credit card account mailed to consumers: the annual percentage rate (APR), any periodic membership fee, any minimum finance charge, any transaction charge, the grace period and the type of balance calculation method used. The Act also preempts all state laws with respect to the disclosures mandated by its provisions.

Home Equity Loan Consumer Protection Act of 1988
(Pub. L. 100-709).

This law requires lenders to disclose significant details about the terms of open-end home equity loans, including a notice that defaulting on such a loan could lead to loss of the house. Lenders are required to make the disclosures before an application is filed and to provide detailed explanations of how variable-rate loans work, the effect of interest rate changes on a borrower and the full costs of applying for the loan. The legislation also prohibits a lender from unilaterally changing the terms of a loan agreement after the contract is signed and, except in certain situations, unilaterally terminating an open-end home equity loan. The act is effective five months after implementing regulations are issued by the Federal Reserve Board.

Rules and Regulations Adopted in 1988

Agricultural Loan Loss Amortization
(June 14, 1988)

The FDIC amended Part 324 of its regulation that establishes eligibility requirements and application procedures for FDIC-insured state nonmember banks in distressed agricultural regions of the country that wish to amortize farm loan losses.

Applications, Requests, Submittals, Delegations of Authority, and Notices of Acquisition of Control
(December 27, 1988)

The FDIC has amended section 303.4 of Part 303 of its regulations to implement certain amendments to the Change in Bank Control Act made by section 1360 of the Anti-Drug Abuse Act of 1986. Under the amendment, the FDIC may waive the newspaper publication or public comment solicitation requirements of the regulation, or may act on a proposed change in control prior to the expiration of the comment period. The amendment also provides that the FDIC may shorten the public comment period to a period of not less than 10 days.

Employee Responsibilities and Conduct
(November 29, 1988)

The FDIC amended Part 336 of its rules and regulations governing standards of ethical and other conduct of FDIC employees. Significant changes include: identifying certain employees subject to reporting requirements and credit restrictions by position description series code; clarifying the permissible conditions of acceptance of food, refreshments and entertainment; modifying existing credit restrictions with regard to credit cards; and permitting renegotiation of existing debt on the same terms and conditions as those offered to the public.

Fair Housing
(August 16, 1988)

The FDIC amended section 338.1(f) of its regulations to eliminate improvement, maintenance and repair loans from existing "home loan" data gathering requirements. Home equity loans for these purposes would also be eliminated. This amendment brings more uniformity to fair housing lending data requirements among federal bank regulators and should result in administrative cost savings for both the FDIC and state nonmember banks. The FDIC believes this amendment will reduce the paperwork burden on the banking industry without impairing enforcement of fair housing lending laws.

Foreign Banks; Country Exposures Concentration
(December 20, 1988)

The FDIC amended section 346.23 of its rules and regulations to change the deadline for complying with the limitations on country exposures of insured U.S. branches of foreign banks from December 31, 1988, to a provision establishing that 30 days' prior notice will be given before compliance is required.

Interest on Deposits
(November 23, 1988)

The FDIC amended Part 329 of its rules and regulations to reflect a recent change in the law that permits nonprofit political organizations to hold negotiable order of withdrawal (NOW) accounts.

Minimum Security Devices and Procedures and Bank Secrecy Act Compliance
(May 19, 1988)

The FDIC amended Part 326 of its rules and regulations covering minimum security devices and procedures and Bank Secrecy Act compliance. The amendment reduces the overall recordkeeping burden by eliminating the requirement that insured nonmember banks retain a record identifying the law enforcement official consulted on security matters. However, the consultation continues to be mandated. Among other technical changes, to clarify the applicability of all sections of Part 326 to insured branches of foreign banks, the term "insured nonmember bank" has been substituted for the term "insured state nonmember bank" wherever the latter term previously appeared in Part 326.

Rules of Practice and Procedure
(December 22, 1988)

The FDIC amended Part 308 of its rules and regulations governing the conduct of administrative proceedings before the FDIC. The changes include a reorganization of existing sections of Part 308, revisions of some sections that existed previously, and the addition of new sections. The purpose of the revised regulation is to secure a just and orderly determination of administrative proceedings before the FDIC. The revision of Part 308 is a result of the review conducted under the FDIC's Regulation Review Program.

PROPOSED RULES

Capital; Risk-Based Capital Guidelines

(March 15, 1988)

The FDIC issued for public comment a proposal to amend Part 325 of its rules and regulations by adding an appendix containing a statement of policy on risk-based capital that would apply to all insured state nonmember banks. The risk-based capital framework reflected in the proposed policy statement was developed jointly with representatives from the Federal Reserve System and the Office of the Comptroller of the Currency. It is based largely on the December 10, 1987, consultative paper prepared by the Basle Committee on Banking Regulations and Supervisory Practices.

Deposit Liabilities

(November 25, 1988)

The FDIC issued for public comment a proposed regulation expanding the definition of the term "deposit." The proposed rule holds that a bank's liability on a promissory note, bond acknowledgment of advance, or similar obligation that is issued or undertaken by the insured bank as a means of obtaining funds is a deposit liability.

Foreign Banks - Part 346

(October 20, 1988)

The FDIC prepared for public comment revisions to the rules in Part 346 governing FDIC-insured branches of foreign banks that relate to: policy regarding the operation of insured and noninsured branches by a foreign bank; pledge of assets; and asset maintenance.

Insurance Coverage - Unit Investment Trust - Part 330

(October 12, 1988)

Under a proposed rule, unit investment trusts would no longer be treated as corporations for purposes of insurance coverage limits. Instead, each beneficial owner of the trust's deposits would be insured up to the $100,000 insurance limit.

Federal Deposit Insurance Corporation

Financial Statements
December 31, 1988

Statements of Financial Position

(In thousands)	December 31 1988	December 31 1987
Assets		
Cash	$ 12,644	$ 18,499
Investment in U.S. Treasury obligations, net (Note 2)	16,208,010	16,098,874
Accrued interest receivable on investments and other assets	669,243	464,292
Net receivables from bank assistance and failures (Note 3)	5,687,327	5,771,421
Property and buildings (Note 4)	77,534	73,438
	$ 22,654,758	**$ 22,426,524**
Liabilities and the Deposit Insurance Fund		
Accounts payable, accrued liabilities and other	$ 120,498	$ 59,499
Liabilities for estimated bank assistance (Note 5)	3,877,376	1,236,952
Liabilities incurred from bank assistance and failures (Note 6)	4,595,654	2,827,631
Estimated losses from Corporation litigation	100	600
Total Liabilities	**8,593,628**	**4,124,682**
Deposit Insurance Fund	14,061,130	18,301,842
	$ 22,654,758	**$ 22,426,524**

See accompanying notes.

Statements of Income and the Deposit Insurance Fund

(In thousands)	For the year ended December 31 1988	1987
Income:		
Assessments earned (Note 7)	$ 1,773,011	$ 1,695,958
Interest on U.S. Treasury obligations	1,396,402	1,534,937
Other income	178,245	88,532
Total Income	**3,347,658**	**3,319,427**
Expenses and Losses:		
Administrative operating expenses	223,911	204,938
Merger assistance losses and expenses (Note 3)	1,023,926	20,256
Provision for insurance losses (Note 3)	6,298,266	2,996,923
Nonrecoverable insurance expenses	42,267	48,785
Total Expenses and Losses	**7,588,370**	**3,270,902**
Net Income (Loss)	**(4,240,712)**	**48,525**
Deposit Insurance Fund—January 1	**18,301,842**	**18,253,317**
Deposit Insurance Fund—December 31	**$14,061,130**	**$18,301,842**

See accompanying notes.

Statements of Cash Flow

(In thousands)	For the year ended December 31 1988	1987
Cash Flows From Operating Activities:		
Cash inflows from:		
Assessments earned	$ 1,773,011	$ 1,695,958
Interest on U.S. Treasury obligations	1,492,126	1,646,125
Recoveries from bank assistance and failures	4,451,660	3,161,837
Increase (decrease) in accounts payable, accrued liabilities and other	60,999	(57,209)
Cash outflows for:		
Administrative operating expenses	226,245	215,706
Disbursements for bank assistance and failures	6,639,154	4,908,006
Increase (decrease) in accrued interest receivable on investments and other assets	204,951	(39,265)
Net Cash Provided by Operating Activities	**707,446**	**1,362,264**
Cash Flows From Investing Activities:		
Cash inflows from:		
Maturity and sale of U.S. Treasury obligations	3,390,000	8,706,937
Cash outflows for:		
Purchase of U.S. Treasury obligations	1,985,938	9,057,297
Property and buildings	5,483	23,816
Net Cash Provided (Used) by Investing Activities	**1,398,579**	**(374,176)**
Cash Flows From Financing Activities:		
Cash outflows for:		
Payments of liabilities incurred from bank assistance and failures	502,957	1,755,323
Cash Used by Financing Activities	**502,957**	**1,755,323**
Net Increase (Decrease) in Cash and Cash Equivalents	**1,603,068**	**(767,235)**
Cash and Cash Equivalents—January 1	**1,324,942**	**2,092,177**
Cash and Cash Equivalents—December 31	**$ 2,928,010**	**$ 1,324,942**

See accompanying notes.

Notes To Financial Statements

DECEMBER 31, 1988 AND 1987

1. Summary of Significant Accounting Policies:

General. These statements do not include accountability for assets and liabilities of closed insured banks for which the Corporation acts as receiver or liquidating agent. Periodic and final accountability reports of the Corporation's activities as receiver or liquidating agent are furnished to courts, supervisory authorities, and others as required.

U.S. Treasury Obligations. Securities are shown at amortized cost, which is the purchase price of securities less the amortized premium or plus the accreted discount. Such amortizations and accretions are computed on a daily basis from the date of acquisition to the date of maturity. Interest is also calculated on a daily basis and recorded monthly using the constant-yield method.

Allowance for Loss. The Corporation records as a receivable the funds advanced for assisting and closing banks and establishes an estimated allowance for loss. The allowance for loss represents the difference between the funds advanced and the expected repayment, based on the estimated cash recoveries from the assets of the assisted or failed bank, net of all liquidation costs. The Corporation has recorded the estimated losses related to all banks that have been closed, or that have entered into financial assistance agreements, or that the Corporation has identified as probable to fail or in need of assistance as of year-end. The Corporation establishes an estimate for potential loss regarding litigation against the Corporation in its Corporate capacity. The Corporation's Legal Division recommends these estimated losses on a case-by-case basis.

Depreciation. The cost of furniture, fixtures, and equipment is expensed at time of acquisition. This policy is a departure from generally accepted accounting principles; however, the financial impact is not material to the Corporation's financial statements. The Washington Office Buildings are depreciated on a straight-line basis over a 50-year estimated life. The San Francisco Condominium Offices are depreciated on a straight-line basis over a 35-year estimated life.

Merger Assistance Losses and Expenses. The Corporation records the costs incurred for 13(c) assistance and/or merger assistance with banks as a merger assistance loss. These costs, which are not liquidation-related, are specified in the terms of the agreements and have no potential for recovery by the Corporation.

Nonrecoverable Insurance Expenses. Nonrecoverable insurance expenses are incurred by the Corporation as a result of (1) paying insured depositors in closed bank payoff activity; (2) administering and liquidating assets purchased in a corporate capacity; (3) bid-package preparation for assistance transactions; and (4) bridge bank operations.

Statements of Cash Flow. In November 1987, the Financial Accounting Standards Board issued Statement No.95, Statement of Cash Flows (SFAS 95). The Corporation has elected to adopt the provisions of SFAS 95 by presenting the Statements of Cash Flow in place of the Statements of Changes in Financial Position. For purposes of implementing SFAS 95, the Corporation has defined cash equivalents as short-term, highly liquid investments with original maturities of three months or less. This includes the daily purchase of one-day Special Treasury Certificates. The Corporation has also elected to restate 1987 results for comparative purposes.

Reclassifications. Reclassifications have been made in the 1987 Financial Statements to conform to the presentation used in 1988.

2. U.S. Treasury Obligations:

All cash received by the Corporation not used to defray operating expenses or for outlays related to assistance to banks and liquidation activities is invested in U.S. Treasury securities. The Corporation's investment portfolio consists of the following (in thousands):

		December 31, 1988			
Maturity	Description	Yield to Maturity at Market	Book Value	Market Value	Face Value
One Day	Special Treasury Certificates	9.30	$ 2,915,366	$ 2,915,366	$ 2,915,366
Less Than 1 year	U.S.T. Bills, Notes and Bonds	9.07	4,289,304	4,302,784	4,280,000
1-3 years	U.S.T. Notes and Bonds	9.21	5,004,351	4,935,705	4,900,000
3-5 years	U.S.T. Notes and Bonds	9.21	3,998,989	3,809,137	3,900,000
			$16,208,010	**$15,962,992**	**$15,995,366**

		December 31, 1987			
Maturity	Description	Yield to Maturity at Market	Book Value	Market Value	Face Value
One Day	Special Treasury Certificates	6.60	$ 1,306,443	$ 1,306,443	$ 1,306,443
Less Than 1 year	U.S.T. Bills, Notes and Bonds	6.78	3,394,085	3,442,391	3,390,000
1-3 years	U.S.T. Notes and Bonds	7.81	5,158,332	5,355,063	5,080,000
3-5 years	U.S.T. Notes and Bonds	8.29	4,586,418	4,475,610	4,300,000
5-10 years	U.S.T. Notes and Bonds	8.55	1,653,596	1,613,677	1,700,000
			$16,098,874	**$16,193,184**	**$15,776,443**

The unamortized premium, net of unaccreted discount, for 1988 and 1987 was $212,644,000 and $322,431,000, respectively. The amortized premium expense, net of accreted discount income, for 1988 and 1987 was $95,724,000 and $111,188,000, respectively.

3. Net Receivables from Bank Assistance and Failures (in thousands):

	December 31 1988	December 31 1987
Receivables from Bank Assistance:		
Open banks	$1,301,753	$ 233,995
Facilitate deposit assumptions	36,000	87,600
Facilitate merger agreements	350,648	351,148
Allowance for losses	(1,110,328)	(115,105)
	578,073	**557,638**
Bridge Bank Receivable:		
Capitalization	**1,008,241**	-0-
Continental Bank (CINB) Assistance:		
Loans and related assets	2,153,189	2,531,644
Dividend receivable	12,797	9,973
Preferred stock	515,436	763,750
Allowance for losses	(1,439,200)	(1,640,852)
	1,242,222	**1,664,515**
Receivables from Bank Failures:		
Insured Depositor Payoff	3,207,323	3,180,629
Depositors' claims unpaid	32,841	18,717
Purchase and Assumption transactions	8,456,417	6,897,625
Corporate Purchase transactions	500,999	280,634
Allowance for losses	(9,338,789)	(6,828,337)
	2,858,791	**3,549,268**
	$5,687,327	**$5,771,421**

Analysis of Changes in Allowance for Losses (in thousands):

	1988 Beginning Balance	Provision For Loss	Transfers And Adjustments	Ending Balance
Open bank assistance	$ 115,105	$ 53,271	$ 941,952	$ 1,110,328
CINB	1,640,852	(201,652)	-0-	1,439,200
Closed Bank:				
Insured Depositor Payoff	1,634,862	423,578	(4,428)	2,054,012
Purchase and Assumption	5,072,785	1,966,368	(54,891)	6,984,262
Corporate Purchases	120,690	179,825	-0-	300,515
Total Closed Bank	**6,828,337**	**2,569,771**	**(59,319)**	**9,338,789**
Liabilities for estimated bank assistance	1,236,952	3,877,376	(1,236,952)	3,877,376
Estimated losses from Corporation litigation	600	(500)	-0-	100
	$ 9,821,846	**$ 6,298,266**	**$ (354,319)**	**$ 15,765,793**

	1987			
	Beginning Balance	Provision For Loss	Transfers And Adjustments	Ending Balance
Open bank assistance	$ 116,308	$ (1,203)	$ -0-	$ 115,105
CINB	1,691,846	(50,994)	-0-	1,640,852
Closed Bank:				
Insured Depositor Payoff	975,148	659,721	(7)	1,634,862
Purchase and Assumption	4,005,253	1,089,488	(21,956)	5,072,785
Corporate Purchases	388,101	68,610	(336,021)	120,690
Total Closed Bank	**5,368,502**	**1,817,819**	**(357,984)**	**6,828,337**
Liabilities for estimated bank assistance	150,000	1,236,952	(150,000)	1,236,952
Estimated losses from Corporation litigation	6,251	(5,651)	-0-	600
	$ 7,332,907	**$ 2,996,923**	**$ (507,984)**	**$ 9,821,846**

The Corporation's liabilities for estimated bank assistance for prior years included amounts which were either transferred to other line items or which were adjusted through cash outlays.

First RepublicBank/NCNB Texas National (Bridge) Bank:

On July 29, 1988, the forty subsidiary banks of First RepublicBank Corporation, Dallas, Texas, were declared insolvent by their chartering authority and subsequently closed, with the Corporation appointed receiver. Pursuant to the authority granted in 12 U.S.C. 1821 (i), the Corporation organized a new national "bridge" bank, called NCNB (North Carolina National Bank) Texas National Bank (the "Bank"), to purchase all assets and assume all deposits and certain other non-deposit liabilities from the failed institutions.

On November 22, 1988, the Corporation, NCNB Corporation, NCNB Texas Corporation, NCNB Texas Bancorporation, Inc., and NCNB Texas National Bank entered into a financial assistance agreement designed to capitalize and stabilize the new bridge bank. The key elements of the assistance program are embodied in the Assistance, Service, and Shareholders Agreements among and between the above mentioned parties. The following discussion outlines the major aspects of the Corporation's participation in the overall assistance program.

As part of the initial capitalization, the Corporation purchased 100% (8 million shares) of NCNB Texas National Bank nonvoting common stock for $840.0 million (included above in the Bridge Bank Receivable). NCNB Texas Bancorporation (100% indirectly owned by NCNB Corporation) purchased 100% (2 million shares) of NCNB Texas National Bank voting common stock for $210.0 million. Thus, the Corporation retains an 80% nonvoting equity interest in the bridge bank. NCNB Texas Bancorporation has an exclusive option to purchase the Corporation's shares for a premium over the initial per share price. The premium is a factor of the cumulative increase in book value per share of the Bank's common stock times an exercise premium multiplier (based on the exercise date). This option terminates on November 22, 1993. The Corporation expects full recovery of its common stock investment.

The new bridge bank began operations with all assets, deposits, and certain non-deposit liabilities (exclusive of $1.051 billion in Corporation Assistance notes which are fully reserved for in the Allowance for Loss from Purchase and Assumption transactions above) from the failed First RepublicBank subsidiaries. In accordance with the November 22, 1988

Assistance Agreement, on the Commencement Date, NCNB Texas National Bank segregated into a Separate Asset Pool (SAP) account approximately $9.2 billion of troubled loans, real estate properties, and other distressed assets, and wrote them down to market value. In addition, the Bank adjusted all assets (other than SAP assets) and liabilities to their respective fair market value, and established on its books a loan loss reserve equal to approximately 1.25% of the aggregate book value of its non-SAP Loans. The Corporation's initial assistance in this transaction stemmed from funding the negative equity created by these mark-to-market revaluations of assumed assets and liabilities. The Corporation's payment for the resultant negative equity was in the form of (1) the assumption of $1.0 billion of the Bank's Federal Reserve Bank indebtedness, and (2) the forgiveness of $131.8 million of the Bank's $300 million indebtedness to the Corporation under a revolving credit agreement, of which the remaining outstanding balance of $168.2 million is included in the Bridge Bank Receivable above and was paid on January 11, 1989. Additionally, on January 20, 1989, the Corporation received a $267.0 million payment from NCNB Texas National Bank as a result of subsequent settlement adjustments. The net of these three transactions, $864.8 million, is included in Merger Assistance Losses and Expenses in the Statement of Income for 1988.

Future financial exposure for the Corporation is centered primarily on the Separate Asset Pool. First, the Bank retains management and administrative responsibility with respect to the SAP (subject to Corporation oversight), but the Corporation has financial responsibility for any subsequent decline in the SAP value. The Corporation also must periodically reimburse the Bank for amounts by which the SAP expenses exceed income. Qualifying SAP expenses include those costs related to (a) administration of assets, (b) SAP cost to carry, and (c) management incentive fees (not to exceed $48 million over the life of the SAP).

Secondly, the Corporation is obligated to fund the mark-to-market revaluation of troubled assets transferred to the SAP during a two-year time frame. In addition to the initial transfer of assets, the Bank may, at its option, transfer unlimited qualifying assets (as described in the Assistance Agreement) to the SAP in the first year (through December 31, 1989), and up to $750 million in qualifying assets in the second year (through December 31, 1990). The Corporation estimates that at the end of the two-year option period, a total of approximately $11.0 billion of distressed assets will have been transferred to the Separate Asset Pool. Corporation concurrence is required with regard to all distressed asset classifications (i.e., risk ratings) before these assets may be transferred to the SAP. All disputes will be settled by arbitration.

And third, in accordance with the terms of the Assistance Agreement, the Corporation has indemnified the affiliates, directors, officers, employees, and agents of NCNB Corporation and of NCNB Texas National Bank (other than those who were, at any time on or prior to July 29, 1988, employed by First RepublicBank Corporation or its affiliates) against costs, losses, liabilities, and expenses incurred in connection with certain claims that may arise as a result of this assistance transaction.

The Corporation estimates that its total loss associated with the First RepublicBank failure and the subsequent assistance to the bridge bank will approximate $3.0 billion. Accordingly, the Corporation has established an Allowance for Loss and corresponding provision for $2.135 billion, consisting of $1.058 billion for Corporation assistance notes and related accrued interest due from the failed bank included in the Allowance for Loss from Purchase and Assumption transactions and $1.077 billion included in liabilities for estimated bank assistance. The remaining loss of $865 million, related to the bridge bank negative equity funding discussed above, is recorded as a merger assistance loss and expense.

After the later of the Majority Ownership Date (i.e., when NCNB Texas Bancorporation becomes owner of 51% or more of the Bank's outstanding Common Stock) or November 22, 1991, the Bank may require the Corporation to purchase all of the remaining Separate Asset Pool assets. The Corporation's purchase price shall be the book value of the remaining SAP assets plus or minus the cumulative amount of all gains and losses realized on disposition of SAP assets. The Corporation may either purchase the remaining SAP assets itself or direct that a newly chartered, Corporation-funded, Liquidating Bank purchase the assets. In addition to the above-noted transfer of assets, settlement of the Separate Asset Pool may occur (a) when the Bank ceases to be manager of at least 50% of the book value of the SAP assets, (b) when all SAP assets have been liquidated, or (c) on November 22, 1993 (the fifth anniversary of the Commencement Date). In these instances, the Corporation must pay to the Bank the sum of (i) the fair market value of the remaining SAP assets, (ii) the cumulative gain or loss on the SAP assets (both those previously liquidated and those remaining), and (iii) if a cumulative gain in item (ii) results, an additional deferred management incentive fee.

CINB Assistance:

The Continental Illinois National Bank and Trust Company of Chicago (CINB) assistance program provided by the Corporation, the Federal Reserve Board, the Comptroller of the Currency, and a group of major U.S. banks, received final approval from Continental Illinois Corporation shareholders on September 26, 1984. The key aspects of the assistance program applicable to the Corporation are embodied in an Assistance Agreement and an Implementation Agreement between the Corporation and CINB, Continental Illinois Corporation, and Continental Illinois Holding Corporation. During 1988, Continental Illinois Corporation changed its name to Continental Bank Corporation and the bank's name was changed to simply Continental Bank. Discussed below are the major aspects of the Corporation's participation in the assistance program.

After consummation of the assistance program on September 26, 1984, CINB transferred to the Corporation $2.0 billion in troubled loans. The Corporation also received a three-year $1.5 billion promissory note from CINB which was paid in full on September 26, 1987, by transferring additional troubled loans to the Corporation. The $3.5 billion troubled loan portfolio was, in part, funded by the Corporation's assumption of $3.5 billion of Federal Reserve Bank of Chicago (FRB) indebtedness on behalf of CINB. These borrowings bear interest at specified rates established by the FRB and the U.S. Treasury. The range of rates paid on the debt for 1988 was 6.10% to 7.72%. The Corporation repays these borrowings by making quarterly remittances of its collections, less expenses, on the troubled loans. If there is a shortfall at September 26, 1989, the termination date of the assistance program, the Corporation will make up such deficiency with its own funds.

The Implementation Agreement provides for the Corporation to be reimbursed each quarter for its expenses related to administering the transferred loan portfolio and for interest paid on the FRB indebtedness. According to the terms of the Implementation Agreement, collections are to be applied quarterly in the following manner: 1) to the administrative expenses paid by the Corporation; 2) to the interest owing on the assumed indebtedness; 3) to fund the special reserve account such that this account plus accrued interest thereon is at least $75 million; and 4) to principal owing under the FRB agreement.

Collection proceeds totaled $556,849,000 for the year ended December 31, 1988. The collection proceeds were applied to administrative costs and interest expense of $20,331,000 and $167,653,000, respectively, and to the payment of principal owing under the FRB agreement amounting to $368,865,000. The Corporation estimated an allowance for loss amounting to $1,439,200,000, as of December 31, 1988, representing the difference between the amount the Corporation will pay the FRB and the collections on the disposition of the remaining assets after expenses.

The Corporation holds an option to acquire up to 40.3 million shares of Continental Bank Corporation common stock. Effective close of business December 12, 1988, a 4-to-1 reverse stock split was declared by Continental Bank, which changes the number of shares available for purchase under the stock option to 10.075 million shares of new common stock. The option is exercisable only if the Corporation suffers a loss on the transferred loan portfolio, including unrecovered administrative costs and interest expense, and cannot be exercised prior to the fifth anniversary of the commencement date, September 26, 1989. The shares subject to the option are owned by Continental Illinois Holding Corporation, which is owned by the former stockholders of Continental Bank Corporation. If a loss occurs, the Corporation will be entitled to retain any remaining transferred loans and to exercise the option for one share of Continental Bank Corporation common stock for every $20 of loss at the exercise price of $0.00001 per share of common stock.

In addition to the $3.5 billion in troubled loans, the Corporation purchased $1 billion of two non-voting Continental Bank Corporation preferred stock issues, consisting of (i) 32 million shares of Junior Perpetual Convertible Preference Stock for $720 million and (ii) 11.2 million shares of Adjustable Rate Preferred Stock, Class A for $280 million. The Corporation sold 10.5 million shares of the Junior Perpetual Convertible Preference Stock to an underwriting syndicate for proceeds of $259,350,000 in December 1986. During December 1988, two sales of Junior Perpetual Convertible Preference Stock occurred, a private placement of 1 million shares to the Continental Bank Employee Stock Option Plan — convertible to 5 million shares of common stock, and a public offering of 10 million shares — convertible to 50 million shares of common, with an additional option for 1.25 million shares for oversubscriptions. Total proceeds amounted to $277,200,000 in December 1988. Currently, the Corporation retains 10.5 million shares of the Junior Perpetual Convertible Preference Stock which, based on its conversion potential to Continental Bank Corporation new Common Stock, has a fair market value as of December 31, 1988, of $25.94 per share or $272 million. Cash dividends received for the year ended December 31, 1988 on the Junior Perpetual Convertible Preference Stock and the Adjustable Rate Preferred Stock, Class A were $8,600,000 and $29,808,050, respectively.

Net Worth Certificate Program:

The net worth certificate program was established at the Corporation by authorization of the Garn-St Germain Depository Institutions Act of 1982. Under this program, the Corporation would purchase a qualified institution's net worth certificate and, in a non-cash exchange, the Corporation would issue its non-negotiable promissory note of equal value. The total assistance outstanding to qualified institutions as of December 31, 1988 and 1987, is $321,897,000 and $340,016,000, respectively. As of December 31, 1988 and 1987, the financial statements excluded $321,897,000 and $340,016,000, respectively, of net worth certificates, for which no losses are expected. The original authority to issue net worth certificates expired October 13, 1986. The Competitive Equality Banking Act of 1987 reinstated the net worth certificate program through October 13, 1991.

4. Property and Buildings:

Property and buildings consist of (in thousands):

	December 31	
	1988	1987
Land	$31,850	$28,283
Office buildings	56,197	54,281
Accumulated depreciation	(10,513)	(9,126)
	$77,534	**$73,438**

The Corporation's 1776 F Street property is subject to notes payable, included in accounts payable, accrued liabilities, and other, totaling $5,939,000 and $6,131,000 at December 31, 1988 and 1987, respectively.

A portion of depreciation expense is allocated to the failed banks as liquidation expense. In 1988 and 1987, the amount of depreciation expense allocated to the failed banks was $496,000 and $598,000 respectively.

5. Liabilities for Estimated Bank Assistance:

The Corporation records an estimated loss for its future or potential assistance to those banks which the regulatory process has identified as being distressed and where ongoing negotiations and/or current agreement terms indicate that Corporation bank assistance will be necessary. The Corporation's outstanding liabilities for this estimated bank assistance as of December 31, 1988 and 1987, are $3,877,376,000 and $1,236,952,000 respectively.

6. Liabilities Incurred from Bank Assistance and Failures:

The Corporation's outstanding principal balances on liabilities incurred from bank assistance and failures are as follows (in thousands):

	December 31	
	1988	1987
Funds held in trust	$ 233,278	$ 37
Depositors' claims unpaid	32,841	18,717
Notes indebtedness	998,818	185,405
Guaranty assistance	14,539	-0-
Federal indebtedness	3,316,178	2,623,472
	$4,595,654	**$2,827,631**

Maturities of these liabilities for each of the next five years and thereafter are (in thousands):

1989	1990	1991	1992	1993	1994/Thereafter
$3,797,728	$200,646	$201,586	$199,397	$102,014	$94,283

7. Assessments:

The Corporation assesses insured banks at the rate of 1/12 of one percent per year on the bank's average deposit liability less certain exclusions and deductions. The Corporation credits a legislatively authorized percentage of net assessment income to insured banks. Net assessment income is determined by gross assessments less administrative operating expenses and expenses and losses related to insurance operations. This credit is distributed, pro rata, to each insured bank as a reduction of the following year's assessment. If the ratio of the Deposit Insurance Fund to estimated insured deposits drops below 1.10 percent, the Corporation is mandated to reduce the percentage of the net assessment income credited to a limit of 50 percent. The ratio of the fund to total insured deposits is currently .83% at year-end. For the years ended December 31, 1988 and 1987, losses and expenses related to insurance operations exceeded gross assessments. The Corporation did not pay an assessment credit to insured banks in either year and is unable to pay an assessment credit until assessment income exceeds allowable losses and expenses on a cumulative basis. The following computation reflects the cumulative balance of assessment income adjusted for allowable expenses (in thousands):

Net Assessment Income Credit Computation - Calendar Year 1988

Computation:		
Gross assessment income—C.Y. 1988		
Less: Carry-over of net losses		$ 1,764,132
and expenses from C.Y. 1987	$4,102,433	
Administrative operating expenses	223,911	
Merger assistance losses and expenses	1,023,926	
Provision for insurance losses	6,298,266	
Nonrecoverable insurance expenses	42,267	11,690,803
Excess of losses and expenses over gross assessment income		9,926,671
Assessment credit adjustment—prior years		(639)
Net excess of losses and expenses over gross assessment income—C.Y. 1988		**$9,926,032**

8. Pension Plan and Accrued Annual Leave:

The Corporation's eligible employees are covered by the Civil Service Retirement and Disability Fund. Total Corporation (employer) matching contributions to the Civil Service Retirement and Disability Fund for all eligible employees were approximately $13,404,000 and $12,194,000 for the years ending December 31, 1988 and 1987, respectively.

Although the Corporation funds a portion of pension benefits under the Civil Service Retirement and Disability Fund relating to its eligible employees and makes the necessary payroll withholdings from them, the Corporation does not account for the assets of the Civil Service Retirement and Disability Fund nor does it have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to its eligible employees. These amounts are reported by the U. S. Office of Personnel Management (OPM) for the Civil Service Retirement and Disability Fund and are not allocated to the individual employers. OPM also accounts for all health and life insurance programs for retired Corporation eligible employees.

The Corporation's liability to employees for accrued annual leave is approximately $14,698,000 and $13,763,000 at December 31, 1988 and 1987, respectively.

9. Commitments:

The Corporation's lease agreements for office space are approximately $114,536,000. The agreements contain escalation clauses resulting in adjustments, usually on an annual basis. During 1988 and 1987, lease space expense was $34,038,000 and $33,570,000 respectively. Leased space fees for future years are as follows (in thousands):

1989	1990	1991	1992	1993	1994/Thereafter
$25,854	$18,658	$15,154	$13,254	$10,713	$30,903

10. Supplementary Information Relating to the Statements of Cash Flow:

Reconciliation of net income (loss) to net cash provided by operating activities (in thousands):

	For the year ended December 31 1988	1987
Net Income (Loss)	$(4,240,712)	$ 48,525
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of U.S. Treasury obligations	95,724	111,188
Building depreciation	891	798
Provision for insurance losses	6,298,266	2,996,923
Accrual of assets and liabilities from bank assistance and failures	12,934	34,998
Loss incurred for debt assumption	1,000,000	-0-
Loss incurred by forgiveness of note receivable	131,759	-0-
Net cash disbursed for bank assistance and failures not impacting income	(2,447,464)	(1,812,224)
Increase (decrease) in accounts payable, accrued liabilities and other	60,999	(57,209)
(Increase) decrease in accrued interest receivable on investments and other assets	(204,951)	39,265
Net cash provided by operating activities	**$ 707,446**	**$1,362,264**

Schedule of noncash transactions incurred from bank assistance and failures (in thousands):

	For the year ended December 31	
	1988	1987
Increase (decrease) in net receivable from bank assistance and failures:		
Preferred stock	$ 970,000	$ -0-
Note receivable	2,100	(129,809)
Notes in lieu of cash	18,673	821,534
Depositors' claims unpaid	14,124	5,552
Transfer of allowance for loss	(941,952)	-0-
Decrease (increase) in liabilities incurred from bank assistance and failures:		
Notes payable	(990,773)	(691,725)
Pending claims of depositors	(14,124)	(5,552)
Liabilities for estimated bank assistance transfer	941,952	-0-
	$ -0-	$ -0-

GAO United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

B-114831

To the Board of Directors
Federal Deposit Insurance Corporation

We have audited the accompanying statements of financial position of the Federal Deposit Insurance Corporation (FDIC) as of December 31, 1988 and 1987, and the related statements of income and the deposit insurance fund and statements of cash flow for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Federal Deposit Insurance Corporation as of December 31, 1988 and 1987, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

BANKING INDUSTRY'S FINANCIAL CONDITION

Since the early 1980s, the banking industry's performance has been adversely affected by (1) problems in the energy and agricultural sectors of the economy and their resulting impact on the real estate sector and (2) the significant difficulties certain less developed countries have been experiencing in servicing their debt to many of the larger commercial banks. Of the 13,114 FDIC-insured commercial banks at December 31, 1988, 1,823 reported losses for the period then ended. Nonetheless, the commercial banking industry had earnings of about $25 billion during 1988, compared to 1987 earnings of less than $3 billion. Industry earnings increased in each geographical region except the Southwest, where losses remained the same as 1987 at approximately $1.7 billion. The 1988 results do not include the losses of failed banks which were taken over or assisted by the Corporation during the year.

The Corporation has reported that the improvement in industry earnings was due to several factors. First, after setting aside sizable reserves for troubled loans to less developed countries in 1987, the banks' provisions for loan losses of $20.9 billion were 56 percent less in 1988 than they were in 1987. Second, banks received almost $3.0 billion of interest on certain troubled foreign debt which had not previously been accrued. In addition, noninterest income increased by $3.1 billion. Industry earnings in 1988 did not reflect the $2.3 billion in losses incurred by the First RepublicBank Corporation of Dallas, Texas, before its failure on July 29, 1988, because it was taken over by the Corporation by the end of the year. The cost associated with this failure was the highest for a single institution in the Corporation's history.

Corporation officials have stated that industry performance in 1989 will largely be determined by the state of inflation and the economy. In particular, the continued growth of nonperforming assets in the Northeast and Southeast regions and the potential impact of increased interest rates are areas of concern for the industry and the Corporation. The Corporation defines nonperforming assets as the sum of loans past due 90 days or more and loans in nonaccrual status.

The level of nonperforming assets has historically been an early indicator of a deteriorating economy. Although, overall, the industry's nonperforming assets decreased, they increased in the Northeast region by 0.7 percent and in the Southeast by 4.9 percent. The increase in nonperforming assets in the Northeast is noteworthy considering its write-offs of loans and leases increased 27.1 percent during 1988 compared to 1987. Overall industry write-offs increased by 11.0 percent.

We believe that if interest rates increase, the result could be a decline in the net interest margin of banks, thus reducing the industry's profitability. Any substantial increase in interest rates would have the greatest impact on the larger commercial banks because (1) they operate on a lower interest rate margin than smaller banks and (2) they have become increasingly involved in highly leveraged transactions. For the year ended December 31, 1988, the net interest margin for banks with assets greater than $10 billion was 3.5 percent compared to 4.4 percent for the remaining banks. The lower margin leaves larger banks more exposed to significant increases in interest rates. In addition, the Corporation has reported that it has become increasingly concerned as banks and other institutions appear to be increasing their concentrations in high-yield, high-risk ("junk") bonds and highly leveraged loans used to pay for risky corporate restructurings, particularly leveraged buyouts. The Corporation has stated that banks have already invested about $150 billion in leveraged buyout loans. Rising interest rates or an economic downturn may cause highly leveraged businesses to default on their loans as their interest costs increase and/or their operating income declines. Although banks usually reduce their exposure to losses by selling a large amount of these loans, defaults on the amounts they hold could result in losses to the banks, and potentially, to the Corporation.

Also, the debt servicing problems of some less developed countries continue to present a long-term financial concern for the banking industry and the Corporation. The administration has prepared a proposal to reduce the debt burden of these countries. Nonetheless, since 1982, banks have reduced their exposure by curtailing new loans to these countries, with some banks substantially eliminating these loans from their portfolios, and increasing their capital and loan loss allowances.

Internal controls are also a factor that can affect a bank's performance. GAO's review of regulatory and examination documents related to the 184 insured banks which failed in 1987 showed serious internal control weaknesses contributed significantly to nearly all of the failures. Conversely, we found that strong internal controls tended to serve as a buffer to protect banks from environmental factors, such as adverse economic conditions. (See GAO/AFMD-89-25.)

THE CORPORATION'S FINANCIAL CONDITION

Despite the industry's overall profits, during 1988, 200 insured banks failed and 22 were assisted. Banks in Texas accounted for 113 of the 200 failed banks and 5 of the 22 assisted banks. In 1988, the Corporation incurred its first net loss since its inception--$4.2 billion. This loss was primarily due to the $7.3 billion cost associated with 1988 failure and assistance transactions, including $3.0 billion for the failed First RepublicBank, and to amounts set aside for several probable assistance transactions, primarily in the Southwest (including a significant amount for the recently failed banks of MCorp). The Corporation's $4.2 billion net loss reduced its insurance fund balance from $18.3 billion as of December 31, 1987, to $14.1 billion as of December 31, 1988. As a result, the ratio of the insurance fund balance to insured deposits declined to its lowest level ever, estimated by the Corporation to be 0.83 percent.

The accompanying financial statements reflect the estimated losses related to all banks that have been closed, those that have entered into financial assistance agreements, and those that the Corporation has identified as probable to fail or to need assistance from the Corporation. The Corporation monitors banks that have marginal or deteriorating financial conditions and follows a policy of minimizing the cost to the insurance fund by promptly providing assistance or participating in the closing of a bank whenever an insured bank has financial difficulties that threaten its existence or when action is needed to limit the insurance fund's exposure.

The Corporation anticipates it will have net income in 1989. However, a downturn in the Northeast or Southeast or increasing interest rates could result in additional insurance costs to the Corporation. In addition, if the Southwest economy in particular continues to deteriorate, the Corporation may incur greater costs due to more bank failures than anticipated and to higher costs for existing assistance agreements.

In spite of the significant number of bank failures and the potentially adverse conditions which could affect the Corporation, we believe that it has sufficient funds to handle current and near-term identifiable needs. The administration has proposed an increase in the fee banks pay for deposit insurance which, if enacted by the Congress, would enhance the fund's financial strength. We believe it is important to increase the Corporation's insurance fund through higher insurance premiums because of the uncertainties discussed above.

Subsequent to December 31, 1988, the Administration introduced legislation, which if enacted, would put the savings and loan association's insurance fund under the management of the Corporation. The Savings Association Insurance Fund and Bank Insurance Fund would continue to be maintained as separate funds and premiums from the banking industry and the savings and loan industry would continue to be used for their respective funds. Also, on February 7, 1989, the Corporation entered into an agreement with the Federal Home Loan Bank Board and the Federal Savings and Loan Insurance Corporation to manage all savings and loan associations which are insolvent on the basis of regulatory accounting principles. This agreement stipulates that the Corporation will manage these savings and loans on a reimbursable-cost basis. Therefore, neither the legislation nor the agreement should adversely affect the Corporation's current financial resources, but will greatly increase its workload and may place some strains on its operations.

In addition to this report on our examination of the Corporation's 1988 and 1987 financial statements, we are also reporting on our study and evaluation of internal accounting controls and compliance with laws and regulations. Also, during our examination, we identified matters that do not affect the fair presentation of the financial statements, but nonetheless warrant management's attention. We are reporting them separately to the Corporation.

Charles A. Bowsher

Charles A. Bowsher
Comptroller General
of the United States

March 15, 1989

Statistics

Statistics

Banks Closed Because of Financial Difficulties: FDIC Income, Disbursements and Losses

The following tables are included in the 1988 FDIC Annual Report:

— Table 122, Number and Deposits of Banks Closed Because of Financial Difficulties, 1934-1988;
— Table 123, Insured Banks Requiring Disbursements by the Federal Deposit Insurance Corporation During 1988;
— Table 125, Recoveries and Losses by the Federal Deposit Insurance Corporation on Disbursements for Protection of Depositors, 1934-1988;
— Table 127, Income and Expenses, Federal Deposit Insurance Corporation, by Year, From Beginning of Operations, September 11, 1933, to December 1988; and
— Table 129, Insured Deposits and the Deposit Insurance Fund, 1934-1988.

Deposit Insurance Disbursements

Disbursements by the Federal Deposit Insurance Corporation to protect depositors are made when the insured deposits of failed banks are paid off, or when the deposits of a failed or failing bank are assumed by another insured bank with the financial aid of the FDIC. In deposit payoff cases, the disbursement is the amount paid by the FDIC on insured deposits. In the insured deposit transfer, an alternative to a direct deposit payoff, the FDIC transfers the failed bank's insured and secured deposits to another bank while uninsured depositors must share with the FDIC and other general creditors of the bank in any proceeds realized from liquidation of the failed bank's assets. In certain deposit payoffs, the FDIC may determine that an advance of funds to uninsured depositors and other creditors of a failed bank is warranted.

In deposit assumption cases, the principal disbursement is the amount paid to facilitate a purchase and assumption transaction with another insured bank. Additional disbursements are made in those cases as advances for protection of assets in process of liquidation and for liquidation expenses. In deposit assumption cases, the FDIC also may purchase assets or guarantee an insured bank against loss by reason of its assuming the liabilities and purchasing the assets of an open or closed insured bank. Under its Section 13(c) authority, the FDIC made a disbursement or approved other forms of assistance in 1988 for 81 operating banks.

Noninsured Bank Failures

Statistics in this report on failures of noninsured banks are compiled from information obtained from state banking departments, field supervisory officials and other sources. The FDIC received no official reports of noninsured bank closings due to financial difficulties in 1988. For detailed data regarding noninsured banks that were suspended in the years 1934-1962, see the 1962 FDIC Annual Report, pages 27-41. For 1963-1988, see Table 122 of this report and previous reports for respective years.

Sources of Data

Insured banks: books of specific banks at date of closing and books of the FDIC, December 31, 1988.

Table 122. NUMBER AND DEPOSITS OF BANKS CLOSED BECAUSE OF FINANCIAL DIFFICULTIES, 1934-1988

Year	Number					Deposits (in thousands of dollars)					Assets[4]
	Total	Non-Insured[1]	Insured			Total	Non-Insured[1]	Insured			(in Thousands Dollars)
			Total	Without disbursements by FDIC[2]	With disbursements by FDIC[3]			Total	Without disbursements by FDIC[2]	With disbursements by FDIC[3]	
Total	**1,533**	**136**	**1,397**	**8**	**1,389**	**74,211,327**	**143,501**	**74,067,826**	**41,147**	**74,026,679**	**94,548,117**
1934	61	52	9	...	9	37,333	35,365	1,968	...	1,968	2,661
1935	32	6	26	1	25	13,988	583	13,405	85	13,320	17,242
1936	72	3	69	...	69	28,100	592	27,508	...	27,508	31,941
1937	84	7	77	2	75	34,205	528	33,677	328	33,349	40,370
1938	81	7	74	...	74	60,722	1,038	59,684	...	59,684	69,513
1939	72	12	60	...	60	160,211	2,439	157,722	...	157,772	181,514
1940	48	5	43	...	43	142,788	358	142,430	...	142,430	161,898
1941	17	2	15	...	15	29,796	79	29,717	...	29,717	34,804
1942	23	3	20	...	20	19,540	355	19,185	...	19,185	22,254
1943	5	...	5	...	5	12,525	...	12,525	...	12,525	14,058
1944	2	...	2	...	2	1,915	...	1,915	...	1,915	2,098
1945	1	...	1	...	1	5,695	...	5,695	...	5,695	6,392
1946	2	1	1	...	1	494	147	347	...	347	351
1947	6	1	5	...	5	7,207	167	7,040	...	7,040	6,798
1948	3	...	3	...	3	10,674	...	10,674	...	10,674	10,360
1949	9	4	5	1	4	9,217	2,552	6,665	1,190	5,475	4,886
1950	5	1	4	...	4	5,555	42	5,513	...	5,513	4,005
1951	5	3	2	...	2	6,464	3,056	3,408	...	3,408	3,050
1952	4	1	3	...	3	3,313	143	3,170	...	3,170	2,388
1953	5	1	4	2	2	45,101	390	44,711	26,449	18,262	18,811
1954	4	2	2	...	2	2,948	1,950	998	...	998	1,138
1955	5	...	5	...	5	11,953	...	11,953	...	11,953	11,985
1956	3	1	2	...	2	11,690	360	11,330	...	11,330	12,914
1957	3	1	2	1	1	12,502	1,255	11,247	10,084	1,163	1,253
1958	9	5	4	...	4	10,413	2,173	8,240	...	8,240	8,905
1959	3	...	3	...	3	2,593	...	2,593	...	2,593	2,858
1960	2	1	1	...	1	7,965	1,035	6,930	...	6,930	7,506
1961	9	4	5	...	5	10,611	1,675	8,936	...	8,936	9,820
1962	3	2	1	1	...	4,231	1,220	3,011	3,011	...	...[5]
1963	2	...	2	...	2	23,444	...	23,444	...	23,444	26,179
1964	8	1	7	...	7	23,867	429	23,438	...	23,438	25,849
1965	9	4	5	...	5	45,256	1,395	43,861	...	43,861	58,750
1966	8	1	7	...	7	106,171	2,648	103,523	...	103,523	120,647
1967	4	...	4	...	4	10,878	...	10,878	...	10,878	11,993
1968	3	...	3	...	3	22,524	...	22,524	...	22,524	25,154
1969	9	...	9	...	9	40,134	...	40,134	...	40,134	43,572
1970	8	1	7	...	7	55,229	423	54,806	...	54,806	62,147
1971	6	...	6	...	6	132,058	...	132,058	...	132,058	196,520
1972	3	2	1	...	1	99,784	79,304	20,480	...	20,480	22,054
1973	6	...	6	...	6	971,296	...	971,296	...	971,296	1,309,675
1974	4	...	4	...	4	1,575,832	...	1,575,832	...	1,575,832	3,822,596
1975	14	1	13	...	13	340,574	1,000	339,574	...	339,574	419,950
1976	17	1	16	...	16	865,659	800	864,859	...	864,859	1,039,293
1977	6	...	6	...	6	205,208	...	205,208	...	205,208	232,612
1978	7	...	7	...	7	854,154	...	854,154	...	854,154	994,035
1979	10	...	10	...	10	110,696	...	110,696	...	110,696	132,988
1980	10	...	10	...	10	216,300	...	216,300	...	216,300	236,164
1981	10	...	10	...	10	3,826,022	...	3,826,022	...	3,826,022	4,859,060
1982	42	...	42	...	42	9,908,379	...	9,908,379	...	9,908,379	11,632,415
1983	48	...	48	...	48	5,441,608	...	5,441,608	...	5,441,608	7,026,923
1984	79	...	79	...	79	2,883,162	...	2,883,162	...	2,883,162	3,276,411
1985[6]	120	...	120	...	120	8,059,441	...	8,059,441	...	8,059,441	8,741,268
1986[7]	138	...	138	...	138	6,471,100	...	6,471,100	...	6,471,100	6,991,600
1987[7]	184	...	184	...	184	6,281,500	...	6,281,500	...	6,281,500	6,850,700
1988[7]	200	...	200	...	200	24,931,302	...	24,931,302	...	24,931,302	35,697,789

[1]For information regarding each of these banks, see table 22 in the 1963 *Annual Report* (1963 and prior years), and explanatory notes to tables regarding banks closed because of financial difficulties in subsequent annual reports. One noninsured bank placed in receivership in 1934, with no deposits at time of closing, is omitted (see table 22 note 9). Deposits are unavailable for seven banks.

[2]For information regarding these cases, see table 23 of the *Annual Report* for 1963.

[3]For information regarding each bank, see the *Annual Report* for 1958, pp. 48-83 and pp. 98-127, and tables regarding deposit insurance disbursements in subsequent annual reports. Deposits are adjusted as of December 31, 1982.

[4]Insured banks only.

[5]Not available.

[6]Includes data for one bank granted financial assistance although no disbursement was required until January, 1986.

[7]Excludes data for banks granted financial assistance under Section 13(c)(1) of the Federal Deposit Insurance Act to prevent failure. Data for these banks are included in table 123.

Table 123. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION DURING 1988

NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets ($000's)	Total Deposits ($000's)	FDIC Disburse-ments ($000's)	Date of Closing, Deposit Assumption, Merger, or Assistance	Receiver, Assuming Bank, Transferee Bank, or Merging Bank and Location
INSURED DEPOSIT PAYOFFS							
Balboa National Bank San Diego, California	N	1,900	24,900	23,500	24,618	January 4, 1988	Federal Deposit Insurance Corporation
Houston Commerce Bank Houston, Texas	NM	2,200	31,600	39,300	31,618	January 28, 1988	Federal Deposit Insurance Corporation
Frenchman Valley Bank Palisade, Nebraska	NM	700	2,500	2,400	2,413	March 10, 1988	Federal Deposit Insurance Corporation
First American Bank and Trust of Friendswood Friendswood, Texas	SM	500	6,400	6,600	8,262	March 10, 1988	Federal Deposit Insurance Corporation
Texas National Bank Austin, Texas	N	2,100	15,400	16,600	16,430	April 21, 1988	Federal Deposit Insurance Corporation
Resource Bank, N.A. Houston, Texas	N	1,800	42,900	42,800	42,486	December 8, 1988	Federal Deposit Insurance Corporation
INSURED DEPOSIT TRANSFERS							
Commerce Bank of Plano Plano, Texas	SM	2,300	41,200	36,900	39,860	January 7, 1988	Federal Deposit Insurance Corporation
The North American Bank Phoenix, Arizona	NM	2,400	28,300	28,200	27,529	January 8, 1988	Federal Deposit Insurance Corporation
Northwest Bank Dallas, Texas	NM	5,100	44,600	51,500	44,052	January 21, 1988	Federal Deposit Insurance Corporation
The Trust Bank Hialeah, Florida	SM	13,800	163,600	160,200	148,458	January 29, 1988	Republic National Bank of Miami, Miami, Florida
First Houston Bank, N.A. Houston, Texas Houston, Texas	N	2,000	27,000	27,900	33,687	February 11, 1988	Texas Commerce Bank, N.A.,
Harris County Bank - Houston, N.A. Houston, Texas	N	16,600	72,900	81,100	72,649	February 25, 1988	OmniBanc South, N.A., Houston, Texas
The First National Bank and Trust Company of Cushing Cushing, Oklahoma	N	5,800	58,200	57,900	43,903	March 10, 1988	The American National Bank of Bristow, Bristow, Oklahoma
First American Bank and Trust of Manvel Manvel, Texas	SM	2,200	12,100	11,800	11,832	March 10, 1988	First National Bank of Alvin, Alvin, Texas
Hayesville Savings Bank Hayesville, Iowa	NM	8,600	35,100	34,800	34,769	March 10, 1988	Farmers Savings Bank, Fremont, Iowa
First Intercounty Bank of New York New York, New York	NM	800	40,000	37,100	36,664	March 11, 1988	Community National Bank and Trust Company, New York, New York
First National Bank of Del City Del City, Oklahoma	N	4,600	29,200	25,000	28,713	March 25, 1988	Lincoln National Bank, Oklahoma City, Oklahoma
Home State Bank Trent, Texas	NM	2,500	5,700	5,600	4,829	April 7, 1988	Farmers and Merchants National Bank, Merkel, Texas
Cy-Fair Bank, N.A. Houston, Texas	N	2,000	12,000	11,200	13,036	April 14, 1988	Charter National Bank-Willowbrook, Houston, Texas
Metropolitan Industrial Bank Denver, Colorado	SM	3,200	12,500	12,200	12,144	April 15, 1988	Resources Industrial Bank, Denver, Colorado
Citizens National Bank Colorado Springs, Colorado	N	3,200	15,500	14,000	16,950	April 21, 1988	State Bank and Trust of Colorado Springs, Colorado Springs, Colorado

Table 123. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION DURING 1988

NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets ($000's)	Total Deposits ($000's)	FDIC Disburse-ments ($000's)	Date of Closing, Deposit Assumption, Merger, or Assistance	Receiver, Assuming Bank, Transferee Bank, or Merging Bank and Location
The First State Bank Rockwall, Texas	NM	6,500	37,700	38,000	48,016	May 26, 1988	Community Bank, Rockwall, Texas
First Capitol Bank West Columbia, Texas	NM	5,800	44,700	43,600	44,217	July 28, 1988	First Bank, Edna, Texas
Westlake Thrift and Loan Association Westlake Village, California	NM	2,000	40,300	36,500	36,078	July 29, 1988	Independence Bank, Los Angeles, California
Marshall County Bank Britton, South Dakota	NM	2,100	10,300	9,500	8,975	August 19, 1988	First National Bank, Beresford, South Dakota
Commercial State Bank San Augustine, Texas	NM	4,700	23,000	23,500	23,538	September 1, 1988	The Hamilton National Bank, Hamilton, Texas
Pisgah Savings Bank Pisgah, Iowa	NM	1,600	9,600	9,500	9,536	September 1, 1988	Iowa Savings Bank, Woodbine, Iowa
Capital National Bank Fort Worth, Texas	N	2,000	23,700	23,900	23,603	September 15, 1988	Central Bank and Trust, Fort Worth, Texas
Peoples State Bank of Meeker Meeker, Colorado	SM	1,000	3,900	3,400	3,890	September 23, 1988	The First National Bank of Meeker, Meeker, Colorado
Round Rock National Bank Round Rock, Texas	N	2,700	33,600	35,400	35,452	October 27, 1988	First State Bank, Austin, Texas
Southwest National Bank Houston, Texas	N	1,600	14,900	14,200	14,718	November 3, 1988	Spring National Bank, Spring, Texas
Mt. Zion State Bank Mount Zion, Illinois	NM	6,300	25,700	25,300	22,504	November 4, 1988	Mt. Zion State Bank & Trust Company, Mount Zion, Illinois
The First National Bank of Gracemont Gracemont, Oklahoma	N	1,100	6,600	6,800	6,890	November 10, 1988	First State Bank, Anadarko, Oklahoma
Bank of the Northwest Woodward, Oklahoma	NM	2,500	19,800	17,400	17,192	November 10, 1988	The Bank of Woodward, Woodward, Oklahoma
First National Bank Covington, Louisiana	N	59,200	244,000	246,100	242,482	November 18, 1988	Hibernia National Bank, New Orleans, Louisiana
Texana National Bank of Belton Belton, Texas	N	5,300	17,300	18,700	18,660	December 1, 1988	First National Bank of Temple, Temple, Texas
DEPOSIT ASSUMPTIONS							
The Moran National Bank Moran, Texas	N	2,000	16,600	16,700	10,936	January 14, 1988	The Peoples State Bank, Clyde, Texas
Colonial Bank New Orleans, Louisiana	NM	5,296	49,528	49,463	5,968	January 14, 1988	Pontchartrain State Bank, Metairie, Louisiana
Aredale State Bank Aredale, Iowa	NM	1,700	10,000	9,400	2,818	January 20, 1988	First Security Bank & Trust Company, Charles City, Iowa
United Mercantile Bank Shreveport, Louisiana	NM	10,700	69,600	66,500	51,326	January 21, 1988	Hibernia National Bank, New Orleans, Louisiana
Louisiana Commercial Bank Madisonville, Louisiana	NM	2,000	23,900	23,900	8,424	January 21, 1988	Pontchartrain State Bank, Metairie, Louisiana
Williston Basin State Bank Williston, North Dakota	NM	2,600	10,400	10,200	8,129	January 21, 1988	First National Bank & Trust Company of Williston, Williston, North Dakota
Sam Houston National Bank of Walker County Huntsville, Texas	N	4,100	34,700	37,300	35,483	January 21, 1988	The Huntsville National Bank, Huntsville, Texas

Table 123. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION DURING 1988

NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets ($000's)	Total Deposits ($000's)	FDIC Disburse-ments ($000's)	Date of Closing, Deposit Assumption, Merger, or Assistance	Receiver, Assuming Bank, Transferee Bank, or Merging Bank and Location
Cedar Vale State Bank Cedar Vale, Kansas	NM	2,100	11,000	10,700	5,974	January 21, 1988	Chisholm Trail State Bank, Wichita, Kansas
Bank of Casper Casper, Wyoming	NM	2,000	5,200	5,000	1,273	January 22, 1988	First Wyoming Bank - Casper, Casper, Wyoming
Port City Bank Houston, Texas	NM	14,400	55,300	61,100	36,015	January 28, 1988	Channelview Bank, Channelview, Texas
The Bank of Louisburg Louisburg, Kansas	NM	3,700	19,900	19,600	8,647	February 3, 1988	Peoples National Bank & Trust, Ottawa, Kansas
Bank of Dallas Dallas, Texas	NM	14,900	177,200	169,400	90,163	February 5, 1988	Deposit Guaranty Bank, Dallas, Texas
First State Bank Oilton, Oklahoma	NM	2,900	11,200	11,300	5,124	February 11, 1988	American National Bank of Bristow, Bristow, Oklahoma
Basin State Bank Vernal, Utah	NM	3,200	11,500	11,000	9,575	February 12, 1988	Zions First National Bank, Salt Lake City, Utah
The First State Bank White Cloud, Michigan	NM	7,900	31,600	33,600	12,323	February 12, 1988	The Peoples State Bank, St. Joseph, Michigan
Global Bank Hialeah, Florida	SM	2,500	20,400	18,300	12,795	February 12, 1988	Ocean Bank Of Miami, Miami, Florida
The Farmers and Merchants Bank of Hill City Hill City, Kansas	SM	2,700	14,800	15,000	5,782	February 18, 1988	Farmers and Merchants Bank of Hill City, Hill City, Kansas
Mustang Community Bank Mustang, Oklahoma	SM	2,400	8,900	9,200	3,532	February 18, 1988	First National Bank of Moore, Moore, Oklahoma
Collin County State Bank Melissa, Texas	NM	2,200	11,000	11,300	4,123	February 25, 1988	Willow Bend National Bank, Plano, Texas
American National Bank Stafford, Texas	N	5,600	28,300	29,400	14,880	February 25, 1988	Park National Bank of Houston, Houston, Texas
The Home State Bank Russell, Kansas	NM	8,100	50,200	52,400	23,371	March 3, 1988	The First National Bank & Trust Company, Salina, Kansas
Flower Mound Bank Flower Mound, Texas	SM	5,000	16,700	17,600	4,195	March 3, 1988	Security Bank, Flower Mound, Texas
Security Bank of Denver, N.A. Denver, Colorado	N	4,900	13,900	14,000	3,287	March 10, 1988	City Center National Bank of Aurora, Aurora, Colorado
First American Bank and Trust of Baytown Baytown, Texas	NM	6,000	35,000	39,800	29,603	March 10, 1988	Citizens Bank and Trust Company of Baytown, Baytown, Texas
First National Bank of Port Allen Port Allen, Louisiana	N	2,600	17,300	17,000	4,822	March 17, 1988	Iberville Trust and Savings Bank, Plaquemine, Louisiana
Citizens State Bank of Gibbon Gibbon, Minnesota	NM	2,900	14,800	14,600	9,097	March 18, 1988	Minnesota Valley Bank, Redwood Falls, Minnesota
State Bank of Morgan Morgan, Minnesota	NM	4,600	18,100	18,400	8,065	March 18, 1988	Farmers and Merchants State Bank, Springfield, Minnesota
Cashion Community Bank Cashion, Oklahoma	NM	1,700	6,200	6,200	3,131	March 24, 1988	Community State Bank, Cashion, Oklahoma
Century Bank Tulsa, Oklahoma	NM	13,800	65,600	66,600	39,934	March 24, 1988	The Fourth National Bank of Tulsa, Tulsa, Oklahoma
First Bank & Trust Tomball, Texas	NM	10,700	63,400	57,700	34,573	March 31, 1988	The Hamilton National Bank, Hamilton, Texas

Table 123. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION DURING 1988

NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets ($000's)	Total Deposits ($000's)	FDIC Disburse-ments ($000's)	Date of Closing, Deposit Assumption, Merger, or Assistance	Receiver, Assuming Bank, Transferee Bank, or Merging Bank and Location
Union Bank and Trust Company Oklahoma City, Oklahoma	NM	26,100	159,800	159,900	25,657	March 31, 1988	Union Bank and Trust Company, Oklahoma City, Oklahoma
Central National Bank Dallas, Texas	N	2,400	13,300	15,300	14,912	April 7, 1988	Deposit Guaranty Bank, Dallas, Texas
Citizens State Bank of Eagle Bend Eagle Bend, Minnesota	NM	3,000	9,000	8,900	1,996	April 8, 1988	Lake County State Bank, Long Prairie, Minnesota
Jennings Bank Jennings, Kansas	NM	1,600	6,800	6,800	743	April 14, 1988	Bank of Oberlin, Oberlin, Kansas
Colonial Thrift and Loan Association Culver City, California	NM	3,700	18,100	17,900	12,253	April 15, 1988	Southern Pacific Thrift and Loan Association, Culver City, California
Mc Allen State Bank Mc Allen, Texas	NM	39,400	532,900	556,000	433	April 19, 1988	First City National Bank of Houston, Houston, Texas
Unity Bank Dayton, Ohio	NM	1,800	5,700	5,600	5,671	April 22, 1988	The First National Bank, Dayton, Ohio
The Village Bank Great Falls, Montana	NM	4,500	22,100	18,400	1,712	April 22, 1988	The Village Bank of Great Falls, Great Falls, Montana
Oak Park Bank Oak Park Heights, Minnesota	SM	2,500	13,300	14,900	7,164	April 29, 1988	Oak Park State Bank, Oak Park Heights, Minnesota
Union Bank & Trust of Dallas Dallas, Texas	NM	3,400	34,500	33,200	10,789	May 5, 1988	Cornerstone Bank, N.A., Dallas, Texas
Lincoln National Bank Arlington, Texas	N	3,800	11,400	11,200	5,063	May 5, 1988	Tarrant Bank, Ft. Worth, Texas
Forest City Bank and Trust Company Forest City, Iowa	SM	5,000	23,800	23,600	1,175	May 6, 1988	Liberty Bank and Trust, Forest City, Iowa
The First State Bank Childress, Texas	NM	2,800	14,200	15,000	8,227	May 12, 1988	Citizens State Bank Of Dalhart, Dalhart, Texas
Westside National Bank Houston, Texas	N	3,300	29,300	36,400	25,559	May 13, 1988	Compass Bank, N.A., Houston, Texas
National Bank of Texas Houston, Texas	N	1,800	18,400	25,200	27,506	May 19, 1988	Old Braeswood National Bank, Houston, Texas
Lone Star Bank Baytown, Texas	NM	2,300	11,400	11,700	8,988	May 26, 1988	Citizens Bank and Trust Company of Baytown, Baytown, Texas
First National Bank of Kingwood Kingwood, Texas	N	4,100	15,400	14,700	12,085	May 26, 1988	Interstate Bank North, Houston, Texas
Sandy State Bank Sandy, Utah	SM	700	8,100	6,300	6,304	May 27, 1988	Zions First National Bank, Salt Lake City, Utah
Williamstown Bank, N.A. Houston, Texas	N	3,300	21,700	17,900	7,013	June 2, 1988	City National Bank, Houston, Texas
Security Bank of Aurora Aurora, Colorado	NM	3,400	10,500	10,400	1,251	June 2, 1988	Security Bank of Colorado, Aurora, Colorado
Security Bank of Boulder Boulder, Colorado	NM	5,100	13,900	13,500	883	June 2, 1988	Affiliated First National Bank of Boulder, Boulder, Colorado
Community State Bank Whiting, Iowa	NM	1,300	4,600	4,400	1,183	June 2, 1988	Sloan State Bank, Sloan, Iowa
Guaranty Bank Dallas, Texas	NM	10,200	81,400	70,200	43,290	June 2, 1988	The Red Oak State Bank, Red Oak, Texas

Table 123. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION DURING 1988

NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets ($000's)	Total Deposits ($000's)	FDIC Disburse-ments ($000's)	Date of Closing, Deposit Assumption, Merger, or Assistance	Receiver, Assuming Bank, Transferee Bank, or Merging Bank and Location
River Plaza National Bank Ft. Worth, Texas	N	3,400	38,900	41,800	18,556	June 2, 1988	Tarrant Bank, Ft. Worth, Texas
Parkway Bank & Trust Dallas, Texas	NM	2,600	38,000	39,000	34,109	June 9, 1988	Deposit Guaranty Bank, Dallas, Texas
Kingsland National Bank Kingsland, Texas	N	1,700	12,500	12,700	4,703	June 16, 1988	Security Bank and Trust, Fredericksburg, Texas
Century National Bank Austin, Texas	N	5,600	52,000	54,800	38,615	June 16, 1988	Community National Bank, Austin, Texas
The Liberty Bank of Seattle Seattle, Washington	SM	1,800	21,800	22,500	8,956	June 17, 1988	The Emerald City Bank, Seattle, Washington
The Bank of Westminster Westminster, Colorado	SM	1,600	5,200	5,300	982	June 22, 1988	Affiliated First National Bank, Westminster, Westminster, Colorado
Texas National Bank Victoria, Texas	N	2,200	10,900	11,600	3,423	June 23, 1988	Texas National Bank of Victoria, Victoria, Texas
Northwest Bank and Trust Houston, Texas	NM	10,300	88,000	84,200	52,941	June 23, 1988	Northwest Bank, Inc., Houston, Texas
Tri-Cities Bank & Trust Ovilla, Texas	NM	800	8,200	8,200	4,305	June 23, 1988	Abrams Centre National Bank, Dallas, Texas
Claiborne Bank & Trust Company Homer, Louisiana	NM	2,800	12,100	12,100	1,273	June 29, 1988	The Homer National Bank, Homer, Louisiana
Mercantile Bank & Trust San Antonio, Texas	NM	12,400	77,900	81,800	15,603	June 30, 1988	Groos Bank, N.A., San Antonio, Texas
First National Bank Sherman, Texas	N	3,600	22,900	20,600	6,216	June 30, 1988	First National Bank of Van Alstyne, Van Alstyne, Texas
Republic National Bank Norman, Oklahoma	N	2,800	20,600	23,200	8,595	June 30, 1988	Republic Bank Of Norman, Norman, Oklahoma
The Security Bank Warner, Oklahoma	NM	2,200	9,200	9,300	544	July 14, 1988	Vian State Bank, Vian, Oklahoma
Allen National Bank Allen, Texas	N	4,200	19,000	17,200	7,034	July 14, 1988	Benchmark Bank, Quinlan, Texas
The American Bank Palestine, Texas	NM	4,200	17,800	17,500	12,009	July 14, 1988	The Royall National Bank of Palestine, Palestine, Texas
The First National Bank of Blooming Prairie Blooming Prairie, Minnesota	N	3,600	17,900	17,900	2,018	July 21, 1988	First American Bank of Blooming Prairie, Blooming Prairie, Minnesota
Union Bank and Trust Bartlesville, Oklahoma	NM	18,000	105,000	116,600	74,684	July 21, 1988	First National Bank in Bartlesville, Bartlesville, Oklahoma
National Fidelity Bank of Shreveport Shreveport, Louisiana	N	800	8,000	8,100	7,130	July 28, 1988	Hibernia National Bank, New Orleans, Louisiana
First RepublicBank-Corsicana, N.A. Corsicana, Texas	N	N/A	182,500	187,800	3	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Plano, N.A. Plano, Texas	N	N/A	163,200	177,500	2	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Midland, N.A. Midland, Texas	N	N/A	556,600	572,200	12	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Harlingen, N.A. Harlingen, Texas	N	N/A	182,500	195,200	4	July 29, 1988	NCNB Texas National Bank, Dallas, Texas

N/A–Not available.

Table 123. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION DURING 1988

NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets ($000's)	Total Deposits ($000's)	FDIC Disburse-ments ($000's)	Date of Closing, Deposit Assumption, Merger, or Assistance	Receiver, Assuming Bank, Transferee Bank, or Merging Bank and Location
First RepublicBank-Abilene, N.A. Abilene, Texas	N	N/A	188,600	202,700	2	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Ennis, N.A. Ennis, Texas	N	N/A	84,400	89,200	2	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Stephenville, N.A. Stephenville, Texas	N	N/A	107,900	116,200	4	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Hillsboro Hillsboro, Texas	NM	N/A	53,600	62,700	2	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Tyler, N.A. Tyler, Texas	N	N/A	539,100	545,300	7	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Austin, N.A. Austin, Texas	N	N/A	1,621,300	1,266,900	83	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Victoria Victoria, Texas	NM	N/A	154,100	161,700	4	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Ft. Sam Houston, N.A. Ft. Sam Houston, Texas	N	N/A	550,500	505,900	25	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Waco, N.A. Waco, Texas	N	N/A	651,400	610,800	2	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Temple, N.A. Temple, Texas	N	N/A	150,700	150,900	2	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Wichita Falls, N.A. Wichita Falls, Texas	N	N/A	255,900	269,300	3	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Odessa, N.A. Odessa, Texas	N	N/A	146,900	101,800	5	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Clifton Clifton, Texas	NM	N/A	66,500	76,900	1	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Dallas, N.A. Dallas, Texas	N	N/A	16,379,600	6,848,700	858,098*	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Williamson County, N.A. Austin, Texas	N	N/A	35,400	42,100	1	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Mt. Pleasant, N.A. Mt. Pleasant, Texas	N	N/A	125,500	139,000	1	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-El Paso, N.A. El Paso, Texas	N	N/A	191,300	205,400	11	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Paris Paris, Texas	NM	N/A	67,600	76,800	0	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Cleburne, N.A. Cleburne, Texas	N	N/A	105,200	110,200	2	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Ft. Worth, N.A. Ft. Worth, Texas	N	N/A	1,750,700	1,501,100	51	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Galveston, N.A. Galveston, Texas	N	N/A	244,300	246,700	1	July 29, 1988	NCNB Texas National Bank, Dallas, Texas

*Included in disbursement here is the $1 billion loan made March 17, 1988, which was in default on July 29, 1988.
N/A–Not available.

Table 123. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION DURING 1988

NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets ($000's)	Total Deposits ($000's)	FDIC Disbursements ($000's)	Date of Closing, Deposit Assumption, Merger, or Assistance	Receiver, Assuming Bank, Transferee Bank, or Merging Bank and Location
First RepublicBank-Houston, N.A. Houston, Texas	N	N/A	2,525,000	2,217,900	201,195*	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Forney Forney, Texas	NM	N/A	43,500	50,900	2	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-San Antonio, N.A. San Antonio, Texas	N	N/A	679,400	675,400	30	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Lubbock, N.A. Lubbock, Texas	N	N/A	471,100	445,400	5	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Denison, N.A. Denison, Texas	N	N/A	125,700	137,700	5	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Richmond, N.A. Richmond, Texas	N	N/A	78,200	90,900	3	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Malakoff Malakoff, Texas	NM	N/A	40,900	48,600	3	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Lufkin Lufkin, Texas	NM	N/A	201,900	192,500	2	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Brownwood, N.A. Brownwood, Texas	N	N/A	109,600	119,600	2	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Henderson, N.A. Henderson, Texas	N	N/A	102,800	118,100	3	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Jefferson County Beaumont, Texas	NM	N/A	195,400	138,200	4	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Mineral Wells, N.A. Mineral Wells, Texas	N	N/A	143,800	169,100	2	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Conroe, N.A. Conroe, Texas	N	N/A	182,500	202,200	3	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-A & M College Station, Texas	NM	N/A	83,800	88,000	4	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Greenville, N.A. Greenville, Texas	N	N/A	73,300	79,900	1	July 29, 1988	NCNB Texas National Bank, Dallas, Texas
First RepublicBank-Delaware Newark, Delaware	NM	N/A	620,800	211,500	82	August 2, 1988	Citibank (Delaware), New Castle, Delaware
Alaska Continental Bank Anchorage, Alaska	NM	6,700	49,500	50,700	43,422	August 3, 1988	First Interstate Bank of Alaska, Anchorage, Alaska
Farmers & Merchants Bank of Elmo Elmo, Missouri	NM	2,200	8,900	8,900	3,464	August 4, 1988	First Bank of Maryville, Maryville, Missouri
Galena Park State Bank Galena Park, Texas	NM	5,700	23,700	28,200	16,439	August 11, 1988	Lockwood National Bank of Houston, Houston, Texas
West Houston National Bank Houston, Texas	N	1,800	23,300	23,400	19,209	August 11, 1988	Texas Commerce Bank, N.A., Houston, Texas
First Bank Balch Springs, Texas	NM	9,200	36,200	36,100	7,532	August 11, 1988	Gateway National Bank, Dallas, Texas
First National Bank Austin Austin, Texas	N	1,500	24,800	24,100	12,009	August 18, 1988	First State Bank, Austin, Texas
Town and Country National Bank Harlingen, Texas	N	3,300	27,200	26,300	11,116	August 18, 1988	The Harlingen National Bank, Harlingen, Texas

*Included in disbursement here is the $1 billion loan made March 17, 1988, which was in default on July 29, 1988.
N/A–Not available.

Table 123. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION DURING 1988

NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets ($000's)	Total Deposits ($000's)	FDIC Disburse-ments ($000's)	Date of Closing, Deposit Assumption, Merger, or Assistance	Receiver, Assuming Bank, Transferee Bank, or Merging Bank and Location
Citizens State Bank Maud, Oklahoma	NM	3,700	10,100	9,900	8,562	August 18, 1988	The Bank, N.A., McAlester, Oklahoma
Highland Park National Bank Dallas, Texas	N	3,000	24,500	28,300	17,901	August 25, 1988	Deposit Guaranty Bank, Dallas, Texas
Bank of the Mid-South Bossier City, Louisiana	NM	4,000	28,100	27,100	7,940	August 25, 1988	Red River Valley Bank, Bossier City, Louisiana
BancFirst-Westlake, N.A. Austin, Texas	N	1,900	15,400	15,900	6,931	August 25, 1988	Union National Bank, Austin, Texas
Biwabik State Bank Biwabik, Minnesota	NM	1,600	3,200	3,200	430	August 26, 1988	First National Bank, Keewatin, Minnesota
First National Bank of Atascocita Harris County (Humble), Texas	N	2,800	7,900	9,500	6,724	September 1, 1988	First Interstate Bank of Texas, N.A., Houston, Texas
Pioneer National Bank Arlington, Texas	N	2,900	19,000	21,400	6,222	September 1, 1988	Deposit Guaranty Bank, Dallas, Texas
American Bank of Muskogee Muskogee, Oklahoma	NM	5,000	26,900	26,500	11,455	September 1, 1988	Citizens National Bank of Muskogee, Muskogee, Oklahoma
Mingo Trust and Savings Bank Mingo, Iowa	NM	2,300	11,200	10,500	1,445	September 1, 1988	Exchange State Bank, Collins, Iowa
Lakeland State Bank Sunrise Beach, Missouri	NM	2,100	8,700	8,600	771	September 1, 1988	Community Bank of the Ozarks, Sunrise Beach, Missouri
The Sylvia State Bank Sylvia, Kansas	NM	900	5,200	4,600	1,280	September 8, 1988	The Turon State Bank, Turon, Kansas
River City Bank Castle Hills, Texas	NM	1,600	13,300	14,900	7,259	September 15, 1988	Citizens State Bank of Luling, Luling, Texas
Town and Country Bank Bixby, Oklahoma	SM	2,700	37,200	37,100	26,089	September 15, 1988	Brookside State Bank, Tulsa, Oklahoma
Citizens Bank of Littleton Littleton, Colorado	SM	2,200	5,700	4,600	4,365	September 15, 1988	Equitable Bank Of Littleton, N.A., Littleton, Colorado
Trinity National Bank San Antonio, Texas	N	3,900	28,100	29,000	24,670	September 15, 1988	First National Bank of Rio Grande City, Rio Grande City, Texas
Community Bank and Trust Rockdale, Texas Cameron, Texas	NM	2,100	13,900	13,300	5,292	September 22, 1988	The Citizens National Bank of Cameron,
First State Bank in Talihina Talihina, Oklahoma	NM	3,900	15,800	14,600	5,560	September 22, 1988	Spiro State Bank, Spiro, Oklahoma
The Security State Bank Comanche, Oklahoma	NM	1,700	8,100	8,100	2,504	September 22, 1988	American National Bank, Ardmore, Oklahoma
First State Bank Seminole, Oklahoma	NM	2,800	11,100	10,400	1,754	September 29, 1988	First State Bank of Harrah, Harrah, Oklahoma
Watson State Bank Watson, Minnesota	NM	2,272	13,081	11,512	9,021	September 30, 1988	Minnwest Bank Montevideo, Montevideo, Minnesota
Liberty Bank and Trust Company Warsaw, Indiana	NM	10,600	49,100	47,000	32,248	October 3, 1988	Trustcorp, Goshen, Goshen, Indiana
Fidelity National Bank of Fort Worth Fort Worth, Texas	N	3,000	31,800	32,600	10,911	October 6, 1988	Fidelity Bank, Fort Worth, Texas
Security Bank Dallas, Texas	SM	1,100	18,600	18,600	19,553	October 20, 1988	Deposit Guaranty Bank, Dallas, Texas
Commercial Bank and Trust Company Metairie, Louisiana	NM	11,300	46,400	49,000	13,329	October 20, 1988	Pontchartrain State Bank, Metairie, Louisiana

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NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets ($000's)	Total Deposits ($000's)	FDIC Disbursements ($000's)	Date of Closing, Deposit Assumption, Merger, or Assistance	Receiver, Assuming Bank, Transferee Bank, or Merging Bank and Location
Frontier National Bank Round Rock, Texas	N	4,400	32,500	34,700	11,485	October 27, 1988	First State Bank, Austin, Texas
Medical Center State Bank Oklahoma City, Oklahoma	NM	4,500	7,900	7,800	2,236	October 27, 1988	American State Bank, Tulsa, Oklahoma
American National Bank Tyler, Texas	N	4,900	20,800	21,100	7,836	November 10, 1988	First National Bank of Winnsboro, Winnsboro, Texas
Avoyelles Trust & Savings Bank Bunkie, Louisiana	NM	5,400	25,200	29,100	9,839	November 10, 1988	Bunkie Bank & Trust Company, Bunkie, Louisiana
Miami National Bank Miami, Oklahoma	N	2,400	8,500	8,900	2,485	November 10, 1988	Bank of Miami, Miami, Oklahoma
East Texas State Bank Buna, Texas	NM	5,800	20,300	19,800	7,061	November 17, 1988	First National Bank of Bonham, Bonham, Texas
The Bank of Kerrville Kerrville, Texas	SM	3,310	38,059	29,716	12,166	November 17, 1988	Bank of Kerrville Kerrville, Texas
Union Bank of Houston Houston, Texas	SM	5,900	51,700	39,700	37,199	December 1, 1988	Texas Commerce Bank, N.A., Houston, Texas
Oak Lawn Bank, N.A. Dallas, Texas	N	2,200	9,400	10,200	4,678	December 1, 1988	Cornerstone Bank, N.A., Dallas, Texas
Enterprise National Bank Englewood, Colorado	N	1,100	4,800	4,400	4,070	December 1, 1988	Colonial National Bank, Denver, Colorado
First Bank & Trust Company Duncan, Oklahoma	NM	9,200	40,600	44,000	10,002	December 8, 1988	First Bank & Trust Company, Duncan, Oklahoma
Waukomis State Bank Waukomis, Oklahoma	NM	2,200	11,200	11,000	3,037	December 8, 1988	Cimarron Bank, Woodward, Oklahoma
Caribank Dania, Florida	NM	37,500	554,400	528,600	48,392	December 9, 1988	Citibank (Florida), N.A., Dania, Florida
Texas National Bank Dallas, Texas	N	3,700	31,200	39,600	20,363	December 15, 1988	Cornerstone Bank, N.A., Dallas, Texas
Crescent City Bank and Trust Company New Orleans, Louisiana	NM	1,400	23,500	24,300	5,691	December 15, 1988	Omni Bank, New Orleans, Louisiana
Texas Bank of Plano Plano, Texas	NM	2,700	13,500	13,400	5,592	December 15, 1988	Plano East National Bank, Plano, Texas
First National Bank in Bogata Bogata, Texas	N	3,700	12,700	12,700	1,660	December 15, 1988	Peoples National Bank, Bogata, Texas
First National Bank in Center Center, Texas	N	3,700	25,700	25,800	5,616	December 15, 1988	Citizens Bank, Kilgore, Texas
First Industrial Bank of Rocky Ford Rocky Ford, Colorado	NM	2,400	12,500	11,600	9,029	December 16, 1988	First National Bank of Ordway, Ordway, Colorado
First Southwest Bank Eldorado, Oklahoma	SM	3,100	9,500	9,100	3,319	December 16, 1988	First State Bank and Trust Company, Hollis, Oklahoma
ASSISTANCE TRANSACTIONS							
The Peoples State Bank and Trust Company Ellinwood, Kansas	NM	N/A	40,600	40,000	5,300	January 7, 1988	The Peoples State Bank and Trust Company, Ellinwood, Kansas
The Jefferson Guaranty Bank Metairie, Louisiana	NM	N/A	287,400	270,000	57,500	January 13, 1988	The Jefferson Guaranty Bank, Metairie, Louisiana

N/A–Not available.

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NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets ($000's)	Total Deposits ($000's)	FDIC Disburse-ments ($000's)	Date of Closing, Deposit Assumption, Merger, or Assistance	Receiver, Assuming Bank, Transferee Bank, or Merging Bank and Location
Citizens State Bank of Hayfield Hayfield, Minnesota	NM	N/A	30,100	29,300	900	January 27, 1988	Citizens State Bank of Hayfield, Hayfield, Minnesota
United Bank Alaska and Alaska Mutual Bank Anchorage, Alaska	NM	N/A	1,285,100	1,095,900	295,000	January 28, 1988	Alliance Bank, Anchorage, Alaska
American National Bank Parma, Ohio	N	N/A	27,200	24,700	0	February 12, 1988	American National Bank, Parma, Ohio
Morehead National Bank Morehead, Kentucky	N	N/A	8,200	7,800	1,071	March 15, 1988	Morehead National Bank, Morehead, Kentucky
First RepublicBank Corporation Dallas/Houston, Texas	—	N/A	20,829,000	9,066,600	1,059,293	March 17, 1988	First RepublicBank Corporation, Dallas, Texas
Burns State Bank Burns, Kansas	NM	N/A	4,100	3,600	567	April 15, 1988	First National Bank & Trust Company, El Dorado, Kansas
Bank of Santa Fe Santa Fe, New Mexico	NM	N/A	101,200	93,700	23,015	April 20, 1988	Bank of Santa Fe, Santa Fe, New Mexico
First City Bancorporation Houston, Texas	—	N/A	11,200,000	9,400,000	1,065,868	April 20, 1988	First City Bancorporation, Houston, Texas
Bond County State Bank Pocahontas, Illinois	NM	N/A	6,600	6,400	1,272	April 25, 1988	Bond County State Bank, Pocahontas, Illinois
Citizens Bank of Tulsa Tulsa, Oklahoma	NM	N/A	8,800	8,700	2,075	April 28, 1988	Citizens Bank of Tulsa, Tulsa, Oklahoma
The American State Bank Yankton, South Dakota	NM	N/A	67,300	63,500	4,250	May 18, 1988	First Dakota National Bank, Yankton, South Dakota
Bank of Imboden Imboden, Arkansas	NM	N/A	17,800	17,200	2,164	June 14, 1988	Bank of Imboden, Imboden, Arkansas
Texas Bancorp Shares, Inc. San Antonio, Texas	—	N/A	76,500	74,200	14,476	July 14, 1988	Texas Bank, N. A., San Antonio, Texas
Oak Forest National Bank Longview, Texas	N	N/A	8,800	8,600	1,746	July 15, 1988	Longview Bank and Trust Company, Longview, Texas
Security State Bank Casey, Iowa	NM	N/A	16,800	16,300	900	August 9, 1988	Security State Bank, Casey, Iowa
Guaranty National Bank Austin, Texas	N	N/A	22,000	23,000	4,309	September 16, 1988	Guaranty National Bank, Austin, Texas
Alliance Bank, N.A. Oklahoma City, Oklahoma	N	N/A	9,600	12,000	4,336	November 16, 1988	First National Bank, Oklahoma City, Oklahoma
Baton Rouge Bank & Trust Company Baton Rouge, Louisiana	NM	N/A	114,900	115,300	18,000	December 21, 1988	Baton Rouge Bank & Trust Company, Baton Rouge, Louisiana
Tracy-Collins Bank and Trust Company Salt Lake City, Utah	SM	N/A	206,000	191,000	21,000	December 30, 1988	The Continental Bank and Trust Company, Salt Lake City, Utah
BRIDGE BANKS							
NCNB Texas National Bank Dallas, Texas	N	N/A	29,612,300	19,237,300	2,140,035	July 29, 1988	NCNB Corporation, Charlotte, North Carolina
Delaware Bridge Bank, National Association Newark, Delaware	N	N/A	620,800	211,500	619,000	September 9, 1988	Citibank (Delaware), New Castle, Delaware

N/A–Not available.

Table 125. RECOVERIES AND LOSSES BY THE FEDERAL DEPOSIT INSURANCE CORPORATION ON DISBURSEMENTS FOR PROTECTION OF DEPOSITORS, 1934-1988 (Amounts in thousands of dollars)

Liquidation status and year of deposit payoff or deposit assumption	All cases					Deposit payoff cases					Deposit assumption cases[5]					Assistance Transactions[6]				
	No. of banks	Disburse-ments	Recoveries to Dec. 31, 1988	Estimated additional recoveries	Losses[1]	No. of banks	Disburse-ments[2]	Recoveries to Dec. 31, 1988	Estimated additional recoveries	Losses[1]	No. of banks	Disburse-ments[3]	Recoveries to Dec. 31, 1988	Estimated additional recoveries	Losses[1]	No. of banks	Disburse-ments	Recoveries to Dec. 31, 1988	Estimated additional recoveries	Losses[1]
Total	**1,437**	**39,911,938**	**18,806,517**	**6,068,541**	**15,036,879**	**500**	**6,613,935**	**3,325,313**	**1,274,853**	**2,013,769**	**869**	**20,055,247**	**11,064,201**	**1,927,194**	**7,063,852**	**68**	**13,242,756**	**4,417,003**	**2,866,494**	**5,959,259**
Year[4] ..																				
1934	9	941	734	...	207	9	941	734	...	207	...	...	...	...	...					
1935	25	9,108	6,423	...	2,685	24	6,026	4,274	...	1,752	1	3,082	2,149	0	933					
1936	69	15,206	12,873	...	2,333	42	7,735	6,397	...	1,338	27	7,471	6,476	...	995					
1937	75	20,204	16,532	...	3,672	50	12,365	9,718	...	2,647	25	7,839	6,814	...	1,025					
1938	74	34,394	31,969	...	2,425	50	9,092	7,908	...	1,184	24	25,302	24,061	...	1,241					
1939	60	81,828	74,676	...	7,152	32	26,196	20,399	...	5,797	28	55,632	54,277	...	1,355					
1940	43	87,899	84,103	...	3,796	19	4,895	4,313	...	582	24	83,004	79,790	...	3,214					
1941	15	25,061	24,470	...	591	8	12,278	12,065	...	213	7	12,783	12,405	...	378					
1942	20	11,684	10,996	...	688	6	1,612	1,320	...	292	14	10,072	9,676	...	396					
1943	5	7,230	7,107	...	123	4	5,500	5,377	...	123	1	1,730	1,730	...	...					
1944	2	1,532	1,492	...	40	1	404	364	...	40	1	1,128	1,128	...	...					
1945	1	1,845	1,845	...	...	...	...	...	...	...	1	1,845	1,845							
1946	1	274	274	...	...	...	...	...	...	...	1	274	274	...	...					
1947	5	2,038	1,979	...	59	...	...	...	...	...	5	2,038	1,979	...	59					
1948	3	3,150	2,509	...	641	...	...	...	...	...	3	3,150	2,509	...	641					
1949	4	2,685	2,316	...	369	...	...	...	...	...	4	2,685	2,316	...	369					
1950	4	4,404	3,019	...	1,385	...	...	...	...	...	4	4,404	3,019	...	1,385					
1951	2	1,986	1,986	...	...	...	...	...	...	...	2	1,986	1,986	...	...					
1952	3	1,525	733	...	792	...	...	...	...	...	3	1,525	733	...	792					
1953	2	5,359	5,359	...	...	...	...	...	...	...	2	5,359	5,359	...	...					
1954	2	1,029	771	...	258	...	...	...	...	...	2	1,029	771		258					
1955	5	7,315	7,085	...	230	4	4,438	4,208	...	230	1	2,877	2,877	...	...					
1956	2	3,499	3,286	...	213	1	2,795	2,582	...	213	1	704	704	...	...					
1957	1	1,031	1,031	...	...	1	1,031	1,031	...	...	...	...	...	...	...					
1958	4	3,051	3,023	...	28	3	2,796	2,768	...	28	1	255	255	...	...					
1959	3	1,835	1,738	...	97	3	1,835	1,738		97	...	...	...	...						
1960	1	4,765	4,765	...	...	1	4,765	4,765	...	...	...	...	...	...	...					
1961	5	6,201	4,699	...	1,502	5	6,201	4,699	...	1,502	...	...	...	...	...					
1963	2	19,172	18,886	...	286	2	19,172	18,886	...	286	...	...	...	...	...					
1964	7	13,712	12,171	0	1,540	7	13,712	12,171	0	1,541	...	...	...	...	...					
1965	5	11,479	10,816	0	663	3	10,908	10,391	0	517	2	571	425	...	146					
1966	7	10,020	9,541	234	245	1	735	735	...	...	6	9,285	8,806	234	245					
1967	4	8,097	7,087	0	1,010	4	8,097	7,087	0	1,010	...	...	...	...	...					
1968	3	6,476	6,464	0	12	...	...	...	...	...	3	6,476	6,464	...	12					
1969	9	42,072	41,910	80	82	4	7,596	7,513	1	82	5	34,476	34,397	79	...					
1970	7	51,566	51,294	0	272	4	29,265	28,993	0	272	3	22,301	22,301	0	...					
1971	6	171,613	171,416	4	193	5	53,767	53,574	0	193	1	117,846	117,842	4	...					
1972	1	16,189	14,485	0	1,704	1	16,189	14,485	0	1,704	...	...	...	...	...					
1973	6	435,196	369,526	947	64,723	3	16,771	16,771	0		3	418,425	352,755	947	64,723					
1974	4	2,403,277	2,259,633	143,605	39	...	...	...	...	...	4	2,403,277	2,259,633	143,605	39					
1975	13	332,046	292,431	23,303	16,312	3	25,918	25,849	1	68	10	306,128	266,582	23,302	16,244					
1976	16	599,337	559,030	40,060	247	3	11,416	9,660	1,683	73	13	587,921	549,370	38,377	174					
1977	6	26,650	20,654	3,903	2,093	...	...	...	...	...	6	26,650	20,654	3,903	2,093					
1978	7	545,738	509,648	27,036	9,054	1	817	613	0	204	6	544,921	509,035	27,036	8,850					
1979	10	90,351	74,170	5,320	10,861	3	9,936	8,939	70	927	7	80,415	65,231	5,250	9,934					
1980	10	152,352	114,072	7,511	30,769	3	13,732	11,522	(7)	2,217	7	138,620	102,550	7,518	28,552					
1981	10	998,429	365,127	44,813	588,489	2	35,735	32,878	1,265	1,592	5	79,205	33,402	43,548	2,255	3	883,489	298,847	0	584,642
1982	42	2,176,765	585,120	306,376	1,285,269	7	276,832	198,627	3,331	74,874	26	415,514	303,993	86,795	24,726	9	1,484,419	82,500	216,250	1,185,669
1983	48	3,543,976	1,821,732	192,395	1,529,849	9	147,266	111,102	7,463	28,701	36	3,324,718	1,710,630	165,534	1,448,554	3	71,992	0	19,398	52,594
1984[7]	80	7,598,924	4,660,812	928,188	2,009,924	16	771,171	583,155	77,861	110,155	62	1,323,865	804,865	65,759	453,241	2	5,503,888	3,272,792	784,568	1,446,528
1985	120	2,713,962	1,343,217	462,391	908,354	29	515,042	357,353	43,389	114,300	87	1,585,645	851,768	197,893	535,984	4	613,275	134,096	221,109	258,070
1986	145	4,587,425	2,205,447	547,689	1,834,289	40	1,164,780	596,839	146,133	421,808	98	3,188,143	1,601,289	329,475	1,257,379	7	234,502	7,319	72,081	155,102
1987	203	4,834,676	1,833,481	860,164	2,141,031	51	2,103,358	880,031	419,848	803,479	133	2,562,911	951,792	439,272	1,171,847	19	168,407	1,658	1,044	165,705
1988	221	8,175,359	1,130,554	2,474,522	4,570,283	36	1,250,815	243,479	573,815	433,521	164	2,641,760	267,284	348,663	2,025,813	21	4,282,784	619,791	1,552,044	2,110,949

1. Includes estimated losses in active cases. Not adjusted for interest or allowable return, which was collected in some cases in which the disbursement was fully recovered.
2. Includes estimated additional disbursements in active cases.
3. Excludes excess collections turned over to banks as additional purchase price at termination of liquidation.
4. No case in 1962 required disbursements.
5. Deposit Assumption Cases include $347.6 million of disbursements for advances to protect assets and liquidation expenses which had been excluded in prior years.
6. "Assistance transactions" include: a) Banks merged with financial assistance from FDIC to prevent probable failure through 1988.
b) $4,333.1 million of recorded liabilities at book value payable over future years.
7. Includes CINB Assistance Agreement which had been previously excluded.

Table 127. INCOME AND EXPENSES, FEDERAL DEPOSIT INSURANCE CORPORATION, BY YEAR, FROM BEGINNING OF OPERATIONS, SEPTEMBER 11, 1933, TO DECEMBER 1988 (in millions)

Year	Income				Expenses and losses				
	Total	Assessment Income	Assessment Credits	Investment and other sources[1]	Total	Deposit insurance losses and expenses	Interest on capital stock[2]	Administrative and operating expenses	Net Income added to deposit insurance fund[3]
Total	**36,306.4**	**23,244.9**	**6,709.1**	**19,770.6**	**22,245.3**	**19,573.8**	**80.6**	**2,590.9**	**14,061.1**
1988	3,347.7	1,773.0	...	1,574.7	7,588.4	7,364.5	...	223.9	(4,240.7)
1987	3,319.4	1,696.0	...	1,623.4	3,270.9	3,066.0	...	204.9	48.5
1986	3,260.1	1,516.9	...	1,743.2	2,963.7	2,783.4	...	180.3	296.4
1985	3,385.4	1,433.4	...	1,952.0	1,957.9	1,778.7	...	179.2	1,427.5
1984[6]	3,099.5	1,321.5	...	1,778.0	1,999.2	1,848.0	...	151.2	1,100.3
1983	2,628.1	1,214.9	164.0	1,577.2	969.9	834.2	...	135.7	1,658.2
1982	2,524.6	1,108.9	96.2	1,511.9	999.8	869.9	...	129.9	1,524.8
1981	2,074.7	1,039.0	117.1	1,152.8	848.1	720.9	...	127.2	1,226.6
1980	1,310.4	951.9	521.1	879.6	83.6	(34.6)	...	118.2	1,226.8
1979	1,090.4	881.0	524.6	734.0	93.7	(13.1)	...	106.8	996.7
1978	952.1	810.1	443.1	585.1	148.9[4]	45.6	...	103.3	803.2
1977	837.8	731.3	411.9	518.4	113.6	24.3	...	89.3	724.2
1976	764.9	676.1	379.6	468.4	212.3[4]	31.9	...	180.4[5]	552.6
1975	689.3	641.3	362.4	410.4	97.5	29.8	...	67.7	591.8
1974	668.1	587.4	285.4	366.1	159.2	100.0	...	59.2	508.9
1973	561.0	529.4	283.4	315.0	108.2	53.8	...	54.4	452.8
1972	467.0	468.8	280.3	278.5	59.7	10.1	...	49.6	407.3
1971	415.3	417.2	241.4	239.5	60.3	13.4	...	46.9	355.0
1970	382.7	369.3	210.0	223.4	46.0	3.8	...	42.2	336.7
1969	335.8	364.2	220.2	191.8	34.5	1.0	...	33.5	301.3
1968	295.0	334.5	202.1	162.6	29.1	0.1	...	29.0	265.9
1967	263.0	303.1	182.4	142.3	27.3	2.9	...	24.4	235.7
1966	241.0	284.3	172.6	129.3	19.9	0.1	...	19.8	221.1
1965	214.6	260.5	158.3	112.4	22.9	5.2	...	17.7	191.7
1964	197.1	238.2	145.2	104.1	18.4	2.9	...	15.5	178.7
1963	181.9	220.6	136.4	97.7	15.1	0.7	...	14.4	166.8
1962	161.1	203.4	126.9	84.6	13.8	0.1	...	13.7	147.3
1961	147.3	188.9	115.5	73.9	14.8	1.6	...	13.2	132.5
1960	144.6	180.4	100.8	65.0	12.5	0.1	...	12.4	132.1
1959	136.5	178.2	99.6	57.9	12.1	0.2	...	11.9	124.4
1958	126.8	166.8	93.0	53.0	11.6	...	...	11.6	115.2
1957	117.3	159.3	90.2	48.2	9.7	0.1	...	9.6	107.6
1956	111.9	155.5	87.3	43.7	9.4	0.3	...	9.1	102.5
1955	105.7	151.5	85.4	39.6	9.0	0.3	...	8.7	96.7
1954	99.7	144.2	81.8	37.3	7.8	0.1	...	7.7	91.9
1953	94.2	138.7	78.5	34.0	7.3	0.1	...	7.2	86.9
1952	88.6	131.0	73.7	31.3	7.8	0.8	...	7.0	80.8
1951	83.5	124.3	70.0	29.2	6.6	...	...	6.6	76.9
1950	84.8	122.9	68.7	30.6	7.8	1.4	...	6.4	77.0
1949	151.1	122.7	...	28.4	6.4	0.3	...	6.1	144.7
1948	145.6	119.3	...	26.3	7.0	0.7	0.6	5.7	138.6
1947	157.5	114.4	...	43.1	9.9	0.1	4.8	5.0	147.6
1946	130.7	107.0	...	23.7	10.0	0.1	5.8	4.1	120.7
1945	121.0	93.7	...	27.3	9.4	0.1	5.8	3.5	111.6
1944	99.3	80.9	...	18.4	9.3	0.1	5.8	3.4	90.0
1943	86.6	70.0	...	16.6	9.8	0.2	5.8	3.8	76.8
1942	69.1	56.5	...	12.6	10.1	0.5	5.8	3.8	59.0
1941	62.0	51.4	...	10.6	10.1	0.6	5.8	3.7	51.9
1940	55.9	46.2	...	9.7	12.9	3.5	5.8	3.6	43.0
1939	51.2	40.7	...	10.5	16.4	7.2	5.8	3.4	34.8
1938	47.7	38.3	...	9.4	11.3	2.5	5.8	3.0	36.4
1937	48.2	38.8	...	9.4	12.2	3.7	5.8	2.7	36.0
1936	43.8	35.6	...	8.2	10.9	2.6	5.8	2.5	32.9
1935	20.8	11.5	...	9.3	11.3	2.8	5.8	2.7	9.5
1933-34	7.0	(4)	...	7.0	10.0	0.2	5.6	4.2[5]	-3.0

[1]Includes $674.1 million of interest and allowable return received on funds advanced to receivership and deposit assumption cases and $637.7 million of interest on capital notes and advanced to facilitate deposit assumption transactions and assistance to open banks.

[2]Paid in 1950 and 1951, but allocated among years to which it applied. Initial capital of $289 million was retired by payments to the U.S. Treasury in 1947 and 1948.

[3]Assessments collected from members of the temporary insurance funds which became insured under the permanent plan were credited to their accounts at the termination of the temporary funds and were applied toward payment of subsequent assessments becoming due under the permanent insurance funding, resulting in no income to the Corporation from assessments during the existence of the temporary insurance funds.

[4]Includes net loss on sales of U.S. Governement securities of $105.6 million in 1976 and $3.6 million in 1978.

[5]Net after deducting the portion of expenses and losses charged to banks withdrawing from the temporary insurance funds on June 30, 1934.

[6]Revised due to restatement of December 31, 1984 financial statements.

Table 129. INSURED DEPOSITS AND THE DEPOSIT INSURANCE FUND, 1934-1988 (in millions)

Year (December 31)	Insurance Coverage	Deposits in insured banks[1]		Percentage of insured deposits	Deposit insurance fund	Ratio of deposit insurance fund to—	
		Total	Insured			Total Deposits	Insured deposits
1988	**100,000**	**2,330,768**	**1,750,259**	**75.1**	**14,061.1**	**.60**	**.80**
1987	100,000	2,201,549	1,658,802	76.9	18,301.8	.83	1.10
1986	100,000	2,167,596	1,634,302	75.4	18,253.3	.84	1.12
1985	100,000	1,974,512	1,503,393	76.1	17,956.9	.91	1.19
1984	100,000	1,806,520	1,389,874	76.9	16,529.4	.92	1.19
1983	100,000	1,690,576	1,268,332	75.0	15,429.1	.91	1.22
1982	100,000	1,544,697	1,134,221	73.4	13,770.9	.89	1.21
1981	100,000	1,409,322	988,898	70.2	12,246.1	.87	1.24
1980	100,000	1,324,463	948,717	71.6	11,019.5	.83	1.16
1979	40,000	1,226,943	808,555	65.9	9,792.7	.80	1.21
1978	40,000[6]	1,145,835	760,706	66.4	8,796.0	.77	1.16
1977	40,000[5]	1,050,435	692,533	65.9	7,992.8	.76	1.15
1976	40,000	941,923	628,263	66.7	7,268.8	.77	1.16
1975	40,000	875,985	569,101	65.0	6,716.0	.77	1.18
1974	40,000	833,277	520,309	62.5	6,124.2	.73	1.18
1973	20,000	766,509	465,600	60.7	5.615.3	.73	1.21
1972	20,000	697,480	419,756	60.2	5,158.7	.74	1.23
1971	20,000	610,685	374,568	61.3	4,739.9	.78	1.27
1970	20,000	545,198	349,581	64.1	4,379.6	.80	1.25
1969	20,000	495,858	313,085	63.1	4,051.1	.82	1.29
1968	15,000	491,513	296,701	60.2	3,749.2	.76	1.26
1967	15,000	448,709	261,149	58.2	3,485.5	.78	1.33
1966	15,000	401,096	234,150	58.4	3,252,0	.81	1.39
1965	10,000	377,400	209,690	55.6	3,036.3	.80	1.45
1964	10,000	348,981	191,787	55.0	2,844.7	.82	1.48
1963	10,000	313,304[2]	177,381	56.6	2,667.9	.85	1.50
1962	10,000	297,548[3]	170,210	57.2	2,502.0	.84	1.47
1961	10,000	281,304	160,309	57.0	2,353.8	.84	1.47
1960	10,000	260,495	149,684	57.5	2,222.2	.85	1.48
1959	10,000	247,589	142,131	57.4	2.089.8	.84	1.47
1958	10,000	242,445	137,698	56.8	1,965.4	.81	1.43
1957	10,000	225,507	127,055	56.3	1,850.5	.82	1.46
1956	10,000	219,393	121,008	55.2	1,742.1	.79	1.44
1955	10,000	212,226	116,380	54.8	1,639.6	.77	1.41
1954	10,000	203,195	110,973	54.6	1,542.7	.76	1.39
1953	10,000	193,466	105,610	54.6	1,450.7	.75	1.37
1952	10,000	188,142	101,841	54.1	1,363.5	.72	1.34
1951	10,000	178,540	96,713	54.2	1,282.2	.72	.133
1950	10,000	167,818	91,359	54.4	1,243.9	.74	1.36
1949	5,000	156,786	76,589	48.8	1,203.9	.77	1.57
1948	5,000	153,454	75,320	49.1	1,065.9	.69	1.42
1947	5,000	154,096	76,254	49.5	1,006.1	.65	1.32
1946	5,000	148,458	73,759	49.7	1,058.5	.71	1.44
1945	5,000	157,174	67,021	42.4	929.2	.59	1.39
1944	5,000	134,662	56,398	41.9	804.3	.60	1.43
1943	5,000	111,650	48,440	43.4	703.1	.63	1.45
1942	5,000	89,869	32,837	36.5	616.9	.69	1.88
1941	5,000	71,209	28,249	39.7	553,5	.78	1.96
1940	5,000	65,288	26,638	40.8	496.0	.76	1.86
1939	5,000	57,485	24,650	42.9	452.7	.79	1.84
1938	5,000	50,791	23,121	45.5	420.5	.83	1.82
1937	5,000	48,228	22,557	46.8	383.1	.79	1.70
1936	5,000	50,281	22,330	44.4	343.4	.68	1.54
1935	5,000	45,125	20,158	44.7	306.0	.68	1.52
1934	5,000[4]	40,060	18,075	45.1	291.7	.73	1.61

[1] Deposits in foreign branches are omitted from totals because they are not insured. Insured deposits are estimated by applying to deposits at the regular Call dates the percentages as determined from the June Call Report submitted by insured banks.

[2] December 20, 1963.

[3] December 28, 1962.

[4] Initial coverage was $2,500 from January 1 to June 30, 1934.

[5] $100,000 for time and savings deposits of in-state governmental units provided in 1974.

[6] $100,000 for Individual Retirement accounts and Keogh accounts provided in 1978.

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