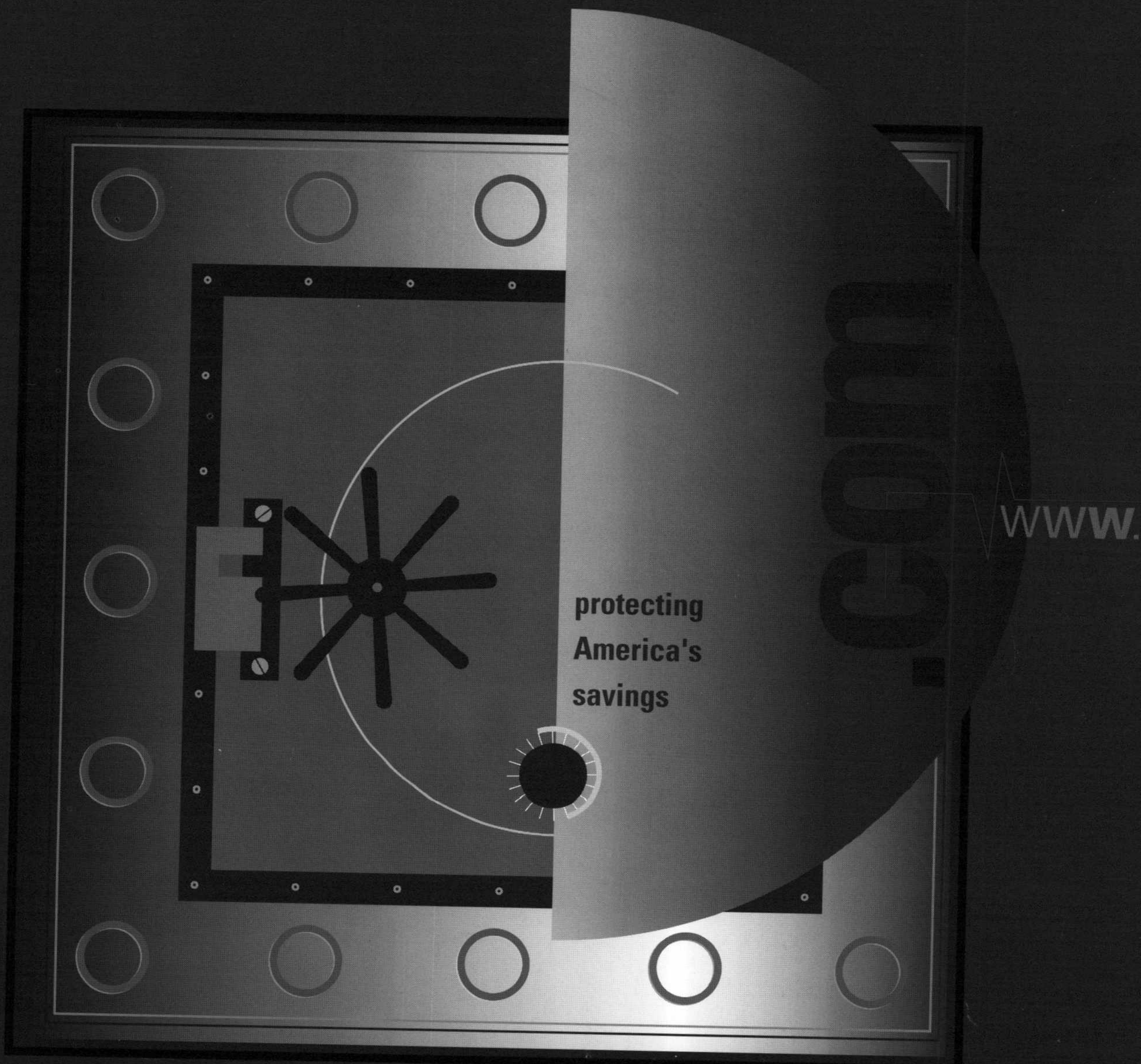
Federal Deposit Insurance Corporation

Annual Report 1995



The Federal Deposit Insurance Corporation (FDIC) is the independent deposit insurance agency created by Congress to maintain stability and public confidence in the nation's banking system.

In its unique role as deposit insurer of banks and savings associations, and in cooperation with the other federal and state regulatory agencies, the FDIC promotes the safety and soundness of insured depository institutions and the U.S. financial system by identifying, monitoring, and addressing risks to the deposit insurance funds.

The FDIC promotes public understanding and sound public policies by providing financial and economic information and analyses. It minimizes disruptive effects from the failure of banks and savings associations. It assures fairness in the sale of financial products and the provision of financial services.

The FDIC's long and continuing tradition of public service is supported and sustained by a highly skilled and diverse workforce that responds rapidly and successfully to changes in the financial environment.

1995 Annual Report

Federal

Deposit

Insurance

Corporation

FDIC
Federal Deposit Insurance Corporation
Washington, DC 20429 | Office of the Chairman

September 11, 1996

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 1995.

Sincerely,

Ricki Helfer

Ricki Helfer
Chairman

The President of the U.S. Senate
The Speaker of the U.S. House of Representatives

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1995

Overview

Much has changed since Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system, but banking today continues to rest on public confidence, and public confidence, in turn, rests on a strong deposit insurance system. During 1995, the extraordinary profitability of the commercial banking industry translated into declining numbers of problem and failed banks. The favorable environment gave the Federal Deposit Insurance Corporation the opportunity to refine its operations, both as a bank supervisor and as a deposit insurer, to reinforce the foundation it provides for public confidence. By striving for greater productivity and enhanced performance, by basing decisions on rigorous analysis that included weighing the costs and benefits of our actions, and by relying on up-to-date management concepts and technology, the FDIC moved toward managing itself the way that a business operates.

Our intent in all our actions is to strengthen the deposit insurance system, both directly or indirectly.

Our efforts would not have been possible had not the banking industry returned to health from the crisis of the late 1980s and early 1990s. In the fourth consecutive year of record earnings, commercial banks reported $48.8 billion in 1995, or a return on assets of 1.17 percent. Only six commercial banks failed, the fewest since 1977. The Bank Insurance Fund (BIF) fully recapitalized at mid-year, with $1.5 billion in insurance overpayments refunded to members. As a result of recapitalization of the fund, the condition of the industry, and the commitment of the FDIC to reward well-run institutions and to give weaker institutions an incentive to improve, the FDIC Board of Directors reduced BIF insurance premiums for the best-rated institutions to four cents per $100 of domestic deposits from 23 cents per $100, and, then, at year-end, to the minimum required by law of $2,000 annually. More than nine-out-of-10 commercial banks were in the best-rated category. The banking industry deserved enormous credit for rebuilding itself and rebuilding the fund, and these premium reductions in turn contributed to further improvements in the industry.

In 1995, the BIF was in the strongest position it had experienced since 1971, the last time bank deposit insurance exceeded 1.25 percent of insured deposits. Meanwhile, the Savings Association Insurance Fund (SAIF) remained significantly undercapitalized. At the end of 1995, the SAIF held 47 cents for each $100 of insured deposits – barely a third of the $1.25 required by statute. An undercapitalized SAIF jeopardized the confidence that the FDIC has spent six decades building. Much effort was devoted to designing, developing and advancing a solution to the SAIF problem, a solution that would benefit every FDIC-insured institution by strengthening the deposit insurance system and that would at last close the books on the savings and loan crisis of the 1980s.

The strong economy and continued profitability of the commercial banking industry in 1995 allowed the FDIC to look ahead and to become more anticipatory than reactive.

In April 1995, the FDIC Board of Directors approved the first corporate-wide strategic plan in our 61-year history, a plan that emphasizes identifying and addressing potential problems within the financial industry that may cause losses to the insurance funds. The strategic plan will guide the agency in developing and evaluating our policies and programs for the remainder of the decade. During 1995, it generated approximately 150 projects under a corporate-wide operating plan intended to position the FDIC on a business footing while dealing with emerging risks.

One of those projects was to define the number of people we will need to operate the organization once we have liquidated the remaining assets from the bank and thrift failures of the late 1980s and early 1990s and instituted managerial reforms to make the organization more efficient. At year-end, the Corporation had 9,789 employees, a 16 percent reduction from 1994. With the absorption of employees from the Resolution Trust Corporation – as required by law – the number of Corporation staff rose to 11,856 as of January 1, 1996. According to current analyses, we expect to reduce the number of staff positions to between 6,000 and 7,000 within the next three years. No one welcomes these painful reductions, which affect people who have devoted years of service to the FDIC and the nation, but a voluntary buyout program in 1995 gave employees an opportunity to receive a cash payment to help them transition to other careers or to retirement. The extremely positive response to the offer – 940 employees accepted the buyout – will in all likelihood reduce the scope of future reductions in force.

FDIC Chairman Ricki Helfer

W. W. Reid

The strategic plan set out the direction the FDIC is headed and the operating plan established how the agency will advance.

To help identify and address potential problems in the financial system, we are leveraging a remarkable resource – a treasury of historical and current data on the banking industry. The FDIC and our sister bank and thrift regulatory agencies generate data on the banking and thrift industries as a by-product of regulatory and monetary policy functions. Historically, however, we have all found it difficult to bridge the gap that separates the macro perspective of economics from the micro perspective of bank examinations. All the regulators have had difficulty translating this data into directions that examiners can use in institutions with differing levels and types of risk exposures. We at the FDIC are bridging that gap in a number of ways.

As a first step, the Division of Insurance was created.

This new division identifies, analyzes, and disseminates information on current and emerging risks to the insurance funds, thereby helping the FDIC keep banks open and operating safely and soundly. It works closely with our examiners, economists, financial analysts and other FDIC staff, as well as with the same types of analysts at the other regulatory agencies and in the private sector, to monitor, assess and address risks in the banking system. It will be sending economic and analytical information to banks to help bank management address trends or weaknesses before they become problems.

We also began an underwriting survey of our examiners to benchmark the level of – and trends in – credit risk to provide an early warning system of problems.

Further, we began looking back at the 1980s and early 1990s to learn in a systematic way what caused nearly 1,500 bank failures. We are also looking at how those failures were resolved. The focus of this effort is a study that will give us an analytical base on which to rely in predicting and dealing with bank problems in the future. We also began developing a new, improved model on bank failure rates that takes economic factors into account.

In terms of regulatory burden, leveraging our statistical and analytical resources helps examiners focus their efforts on the real risks that an institution poses. This will increase the effectiveness of examinations, and allow examiners to stay on site only as long as necessary to address the specific risks that individual institutions present.

To the same ends, we are also leveraging technology. In 1995, for example, we began developing an automated examination package that will let us do a significant amount of analysis off-site. This package will improve the quality of supervision, while holding down FDIC operating costs. It will permit us to do an even better job in examinations, while requiring us to be on-site for a shorter time. Examiners will have to spend less time traveling away from home. Through leveraging technology, we aim to cut our on-site safety-and-soundness examination time – as well as our compliance and Community Reinvestment Act examination time – by 25 percent over the next year, while at the same time improving the quality of examinations.

In leveraging data and technology, and in communicating more effectively with financial institutions, we are headed toward a diagnostic approach to bank examinations – a combination of observation with factual findings from our analytical and technological innovations. It will provide a structured framework for discussing specific strengths, weaknesses, and possible improvements with the management and boards of directors of financial institutions. The result will be a more effective and accurate assessment of an institution's ability to identify, measure, monitor and control its risks.

In enhancing the ways that we do business, we are assuring that Americans continue to enjoy the security that the deposit insurance system creates. For three generations of Americans, federal deposit insurance – with the full faith and credit backing of the U.S. government – has provided a reason for unconditional faith in the banking system. It is a certainty in an uncertain world. The FDIC will continue to make sure that faith in the banking system is justified.

Ricki Helfer

Ricki Helfer
Chairman

January 31

The FDIC Board proposed cuts in Bank Insurance Fund (BIF) assessment rates for nearly all BIF-insured institutions in recognition of the health of the banking industry and the increased strength of the fund. The Board proposed no change in insurance rates for the Savings Association Insurance Fund (SAIF) at this time (*see Page 6).*

March 15

The FDIC reported that commercial banks earned $44.6 billion during 1994, marking the third consecutive year of record profits (*see Page 9).*

March 21

The agency adopted a formal appeals process for material supervisory determinations made by FDIC examiners and regional supervisory officials. Institutions may appeal determinations in areas including examination ratings, the adequacy of loan loss reserve provisions, and possible violations of law or regulations (*see Page 20).*

March 24

The FDIC announced a program to survey bankers for suggestions to improve the quality of safety and soundness examinations. Approximately 3,500 FDIC-supervised institutions that will undergo examinations within a one-year period will be asked about the appropriateness of examination procedures, the quality of the examination team and the usefulness of the examination report *(see Page 20).*

April 1

The FDIC began a system to invoice and collect deposit insurance premiums electronically. The new arrangement will make the process of calculating and collecting insurance assessments more efficient and less burdensome (*see Page 8).*

April 24

For the first time in the agency's 61-year history, the Board approved a corporate-wide strategic plan. Major goals center on identifying and addressing risks to the insurance funds and improving communications with the public (*see Page 31).*

May 17

The FDIC announced a reorganization that included the creation of a Division of Insurance to identify risks to the insurance funds (*see Page 17*). The agency also established an Office of the Ombudsman to respond to questions or concerns about the FDIC (*see Page 20*) and a Division of Administration (*see Page 31).*

July 28

The last two FDIC-insured bank closings of 1995 occurred, bringing the total for the year to six, the lowest number since six banks failed in 1977 (*see Page 23).*

August 8

The FDIC Board voted to reduce premiums paid by institutions insured by the Bank Insurance Fund. The average rate dropped to 4.4 cents per $100 of assessable deposits, from 23.2 cents per $100. The rate reduction and a $1.5 billion refund were made possible because, at the end of May, the BIF reached its mandated reserve level of $1.25 for every $100 of insured deposits (*see Page 6).* The Board did not reduce assessment rates for the Savings Association Insurance Fund, which remained seriously undercapitalized (*see Page 7).*

October 12

Chairman Helfer announced a review of all FDIC regulations and policies, with the aim of eliminating or reducing requirements that are not essential. The FDIC will be working with the other banking agencies to eliminate differences among regulations and guidelines they have in common (*see Page 21).*

November 2

Federal and state banking regulators, including the FDIC, ordered the termination of the U.S. operations of The Daiwa Bank, Limited, Osaka, Japan. Daiwa had been concealing major securities losses from regulators and the public (*see Page 22).*

November 9

Faced with a declining workload from bank failures, the FDIC announced a program to reduce staffing levels by offering many career employees incentives to retire or seek other employment voluntarily *(see Page 31)*.

November 14

For the second time in 1995, the FDIC reduced insurance premiums for BIF-insured institutions. A projected 93.5 percent will pay the statutory minimum of $2,000 per year for insurance *(see Page 6)*. The Board decided not to lower rates for the SAIF because that fund remained seriously under-capitalized *(see Page 7)*.

December 22

Mississippi banking commissioner Joseph H. Neely is confirmed by the U.S. Senate to be a member of the FDIC Board of Directors. He was sworn in on January 29, 1996. This marked the first time since August 1992 that all five Board positions were filled *(see Page 31)*.

December 31

The Resolution Trust Corporation (RTC), which was created to manage and sell failed savings associations since 1989, officially closed on this day. All remaining assets and liabilities were transferred to the FSLIC Resolution Fund, which is managed by the FDIC *(see Page 26)*.

Selected Statistics

Bank Insurance Fund

Dollars in Millions	For the year ended December 31 1995	1994	1993
Financial Results			
Revenue	**$ 4,089**	$ 6,467	$ 6,431
Operating Expenses	**471**	423	388
Insurance Losses and Expenses	**12**	(2,682)	(7,179)
Net Income	**3,606**	8,726	13,222
Insurance Fund Balance	**$ 25,454**	$ 21,848	$ 13,122
Fund as a Percentage of Insured Deposits	**1.30%**	1.15%	0.69%
Selected Statistics			
Total BIF-Member Institutions●	**10,243**	10,758	11,291
Problem Institutions	**151**	264	472
Total Assets of Problem Institutions	**$ 20,160**	$ 42,213	$ 269,201
Institution Failures	**6**	13	41
Assisted Banking Organizations	**0**	0	0
Total Assets of Failed and Assisted Institutions	**$ 753**	$ 1,392	$ 3,539
Number of Active Failed Institution Receiverships	**590**	802	877

Savings Association Insurance Fund

	1995	1994	1993
Financial Results			
Revenue	**$ 1,140**	$ 1,215	$ 924
Operating Expenses	**40**	20	30
Insurance Losses and Expenses	**(321)**	414	17
Net Income	**1,421**	781	877
Insurance Fund Balance	**$ 3,358**	$ 1,937	$ 1,156
Fund as a Percentage of Insured Deposits	**0.47%**	0.28%	0.17%
Selected Statistics			
Total SAIF-Member Institutions■	**1,727**	1,844	1,929
Problem Institutions	**42**	54	100
Total Assets of Problem Institutions	**$ 10,862**	$ 30,630	$ 65,162
Institution Failures▲	**2**	2	9
Total Assets of Failed Institutions▲	**$ 456**	$ 137	$ 6,132
Number of Active Failed Institution Receiverships	**1▼**	1▼	1▼

● Commercial banks and savings institutions. Does not include U.S. branches of foreign banks.

■ Commercial banks and savings institutions. Does not include Resolution Trust Corporation (RTC) conservatorships.

▲ No SAIF-insured institutions that failed were the financial responsibility of the SAIF. The RTC was responsible for the resolution and related costs of SAIF-insured institutions that failed before July 1, 1995. The SAIF is responsible for resolutions thereafter.

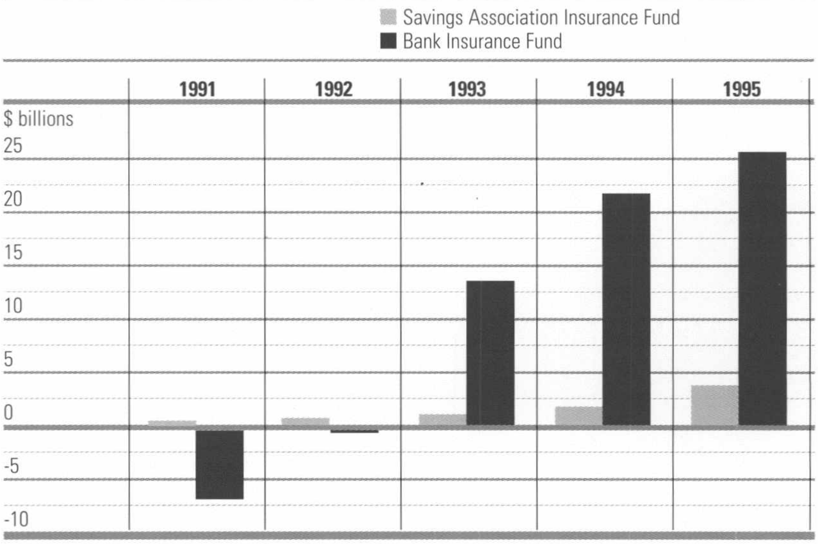
▼ This represents the receivership for Heartland Federal Savings and Loan Association, Ponca City, Oklahoma, which was closed on October 8, 1993. Although this is a SAIF receivership, any financial burden will be borne by the FSLIC Resolution Fund (FRF). The number of active failed thrift receiverships for the FRF was: 62 in 1995; 76 in 1994; and 83 in 1993.

Condition of the FDIC's Funds

For more information about the BIF, SAIF and FRF, see the financial statements that begin on Page 45.

The FDIC administers two deposit insurance funds, the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF), along with a third fund fulfilling the obligations of the former Federal Savings and Loan Insurance Corporation (FSLIC) and called the FSLIC Resolution Fund (FRF). An overview of the funds follows.

Fund Balance 1991-1995
(year-end)



Note:
More details appear in the tables in the back of this Annual Report.

Bank Insurance Fund

With the continuing recovery of the banking industry and institutions' earnings at record levels, 1995 was another positive year for the BIF. After dipping to a record year-end low in 1991 (a negative $7 billion) following record numbers of bank failures, the BIF grew to a record high of $25.5 billion at the close of 1995. That balance represented a 17 percent increase from the year-end 1994 balance of $21.8 billion. The previous year-end high was $18.3 billion in 1987.

The BIF's growth in 1995 consisted primarily of assessment revenue ($2.9 billion) and interest earned on investments in U.S. Treasury obligations ($1.1 billion). Minimal bank failures allowed the BIF to retain and invest this cash. Only six banks with $753 million in assets and $104 million in estimated losses to the BIF failed during 1995. The estimated loss figure is the lowest since 11 banks failed in 1980 at a loss of $30.6 million.

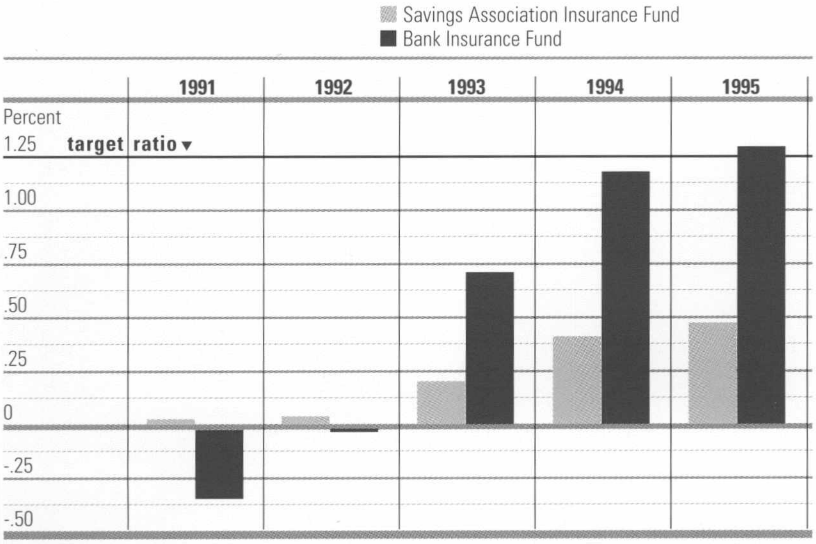
The BIF reached its designated reserve ratio of 1.25 percent of insured deposits, as mandated by law, on May 31, 1995. Based on the recapitalization, the FDIC Board approved a reduction in BIF assessment rates for the semiannual assessment period beginning July 1, 1995. The rates were lowered to a range of four cents to 31 cents per $100 of assessable deposits. The previous range was 23 cents to 31 cents per $100.

The Board revised the rate schedule a second time in 1995, paring rates again in November. This move followed the Board's regular semiannual review of assessment rates to ensure that funds are maintained at an appropriate level. For the semiannual period beginning January 1, 1996, the highest-rated institutions (93.5 percent of BIF-insured institutions) will pay the statutory annual minimum of $2,000 for deposit insurance. Rates for all other institutions will drop to a range of three cents to 27 cents per $100 of assessable deposits.

Under the new assessment schedule, the average annual assessment rate for BIF-insured institutions was expected to decline to approximately 0.3 cents per $100 in the first half of 1996, from 4.4 cents per $100 in the second half of 1995. The projected rate would be the lowest in the more than 60-year history of federal deposit insurance for banks. The lowest average annual assessment rate for banks previously was 3.13 cents per $100 in both 1962 and 1963, including assessment credits.

Cash and investments in U.S. Treasury obligations, the main components of the BIF's total assets, jumped to 81 percent of the fund's total assets at year-end 1995 from 62 percent at year-end 1994. Cash and investments at year-end were 30 times the BIF's total liabilities.

Insurance Fund Reserve Ratios 1991-1995 (year-end)
Percent of Insured Deposits



Note:
Insured deposit amounts are estimates. More details appear in the tables in the back of this Annual Report.

Savings Association Insurance Fund

The SAIF, which the FDIC administers to protect depositors of thrift institutions, grew to a balance of $3.4 billion at year-end 1995. That balance represented a 73 percent increase over the $1.9 billion at year-end 1994.

The SAIF's reserves amounted to 47 cents for every $100 of insured deposits, up from 28 cents per $100 at year-end 1994. The SAIF's designated reserve ratio is far below the 1.25 percent of insured deposits mandated by law. Based on industry deposit levels at year-end 1995, the SAIF would require an additional $5.5 billion to reach that mandated level.

Since 1993, each SAIF-insured institution has paid an assessment rate of between 23 and 31 cents per $100 of assessable deposits, depending on risk classification. The assessment rate averaged approximately 23 cents per $100 of assessable deposits in 1995. These rates will continue until the SAIF reaches its designated reserve ratio of 1.25 percent of insured deposits.

The SAIF's growth has been slow for several reasons. One factor was the diversion of $7.7 billion of SAIF assessments from 1989 through 1995 to pay for the federal cleanup of the thrift industry. From 1989 through 1992, nearly all assessment income was used to pay various cleanup costs, including interest on bonds issued by the Financing Corporation (FICO). Since then, nearly half of the SAIF's assessment income was used for the FICO bond interest payments. Interest payments are required until the FICO bonds mature in the years 2017 through 2019.

A disparity between what BIF- and SAIF-insured institutions pay for deposit insurance unfolded with the Board's decision to cut BIF assessment rates when the BIF recapitalized in May 1995. By law, the Board must set premiums for each fund separately based on the circumstances facing each fund. The prospect of continued, significant disparities in premiums for identical insurance coverage has given SAIF-insured institutions a strong economic incentive to move deposits to BIF-insured affiliates or to rely less on deposits as a funding source.

Many variables make it difficult to predict accurately when the SAIF will be fully capitalized, but that date is probably several years away. At year-end, FDIC staff was exploring the agency's options under the law, the different assessment rates for the two insurance funds, and the likely effects on the thrift industry of the rate disparity. Legislative proposals also were under consideration that would fully capitalize the SAIF in the near term.

On July 1, 1995, the SAIF became responsible for handling failing thrift institutions from the Resolution Trust Corporation (RTC). No thrift failures occurred in 1995 after the SAIF assumed this responsibility.

FSLIC Resolution Fund

The FRF was established by law in 1989 to assume the remaining assets and obligations of the former FSLIC arising from thrift failures prior to January 1, 1989. Congress placed this new fund under the management of the FDIC.

W.W. Reid

William A. Longbrake, Deputy to the Chairman and CFO, was a key architect of Chairman Helfer's strategy to refocus the FDIC's attention from closing failed banks to ensuring that they operate safely.

To wind up the FRF's resolution activity, Congress allocated $827 million in appropriated funds in fiscal year 1995, which are available to the FRF throughout its remaining life. The FRF uses appropriated funds only when funds generated from collections of failed thrift assets and other internal sources are insufficient. The FRF received $165 million of this appropriation on November 1, 1995. The remaining $662 million is available for future use as needed.

All RTC assets and obligations were transferred to the FRF on January 1, 1996, as required by law. As manager of the FRF, the FDIC will sell the remaining assets and settle the obligations of the RTC as it has been doing for the activities inherited from the FSLIC. The FRF's primary focus will be disposing of the approximately $7.7 billion of assets in liquidation remaining from failed thrift institutions, managing the assets set aside to pay claims arising from credit enhancements on securitized assets, and repaying the RTC's debt from the Federal Financing Bank. Internally generated funds are expected to be sufficient to complete the RTC's mission without additional use of taxpayer funds.

Electronic Collection of Assessments

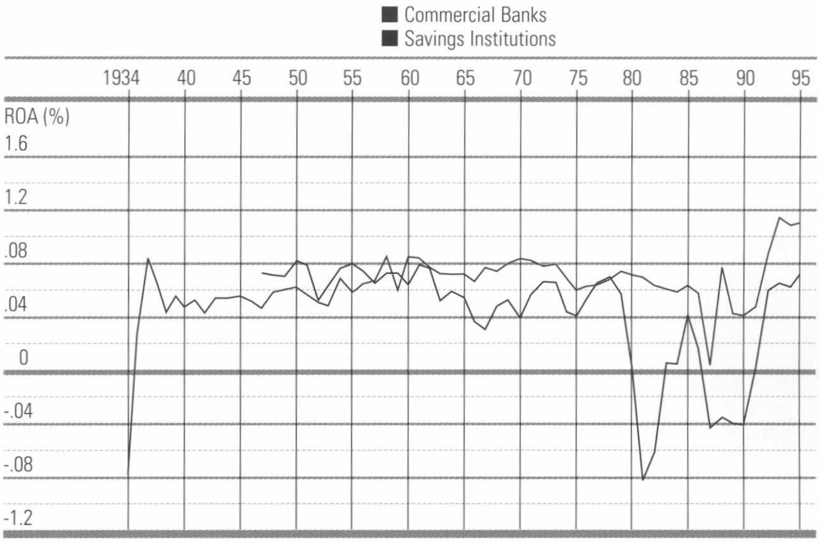
The FDIC in 1995 began to invoice and collect deposit insurance premiums electronically. Under a new rule adopted in December 1994 and effective April 1, 1995, the FDIC calculated assessments for each institution and initiated an electronic debit through the Automated Clearing House Network to collect the premium.

The new process reduced the regulatory burden on institutions and automated a system that was labor-intensive. With the new method, the FDIC experienced an error rate of less than 0.1 percent, a significant improvement over the error rate of eight to 13 percent under the previous manual, paper-based system. The new process proved its value further in September 1995 when the FDIC used it to refund $1.5 billion to BIF-insured institutions within 10 days of the recapitalization announcement.

The State of the Banking and Thrift Industries

Insured commercial banks and savings institutions reported record profits in 1995, continuing a four-year trend of strong earnings performance. Commercial banks' earnings set a new record for the fourth year in a row. The improvement in bank earnings was made possible by strong loan growth and healthy net interest margins. Profits at savings institutions surpassed the industry's previous record, set in 1993; average return on assets (ROA) reached the highest level since 1962. Thrifts' earnings were boosted by improved asset quality and by the absence of restructuring charges at large institutions. Both industries improved their balance sheets in 1995 as capital levels rose and troubled assets declined. The following is an overview of conditions in these two industries.

Annual Return on Assets (ROA)
FDIC-Insured Institutions 1934-1995



Note:
Savings institution data not available prior to 1947.

Commercial Banks

Commercial banks earned $48.8 billion in 1995, an increase of $4.2 billion or 9.4 percent over the previous record level reached in 1994. Almost 97 percent reported positive earnings, with 68 percent reporting higher earnings than in 1994.

The industry's average ROA rose to 1.17 percent, from 1.15 percent in 1994. This marked the third consecutive year that the average ROA at commercial banks was above one percent and more than doubled the ROA of 0.48 percent in 1990. ROA in 1993 exceeded one percent for the first time in FDIC history.

Net interest income in 1995 of $154.2 billion was $7.7 billion higher than in 1994, even though net interest margins were slightly narrower. The improvement was due to strong loan growth.

Total loans at commercial banks increased by $244.5 billion (10.4 percent) in 1995 – the largest annual dollar increase ever reported and the largest percentage growth registered since 1984. Real estate loans accounted for the largest share of the increase in total credit, growing by $82.3 billion.

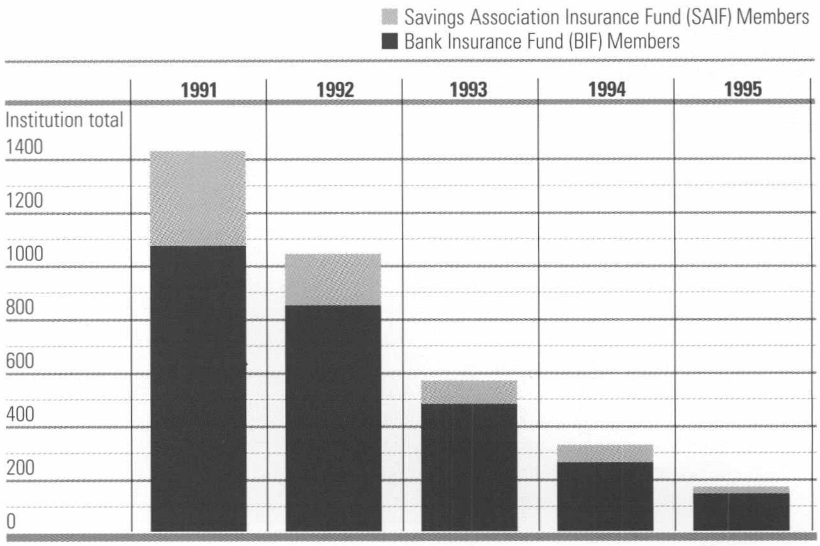
Noninterest revenue of $82.4 billion was $6.2 billion higher than in 1994, reflecting strong growth in fee income. Sales of securities held for investment netted banks $545 million in gains in 1995, a vast improvement over 1994 when securities sales resulted in $571 million in net losses. Lower deposit insurance premiums, made possible by the recapitalization of the Bank Insurance Fund (BIF) at the end of May, reduced banks' operating costs in the second half of the year by approximately $2.5 billion.

Despite the bright earnings picture, banks experienced some problems with loan quality, especially in the consumer area. Banks' provisions for future loan losses were $1.6 billion higher than in 1994, an increase of 14.5 percent. This is the first annual increase in industry loan-loss provisions since 1991. Net loan charge-offs also increased by $920 million (8.2 percent) due to rising losses on consumer loans. Levels of noncurrent loans (those 90 days or more past due or no longer accruing interest income) fell for the fifth consecutive year. However, the net decline in noncurrent loans of $328 million, or 1.1 percent, was much smaller in 1995 than in any of the previous four years.

The number of insured commercial banks reporting financial results at year-end 1995 fell below 10,000 for the first time since the start of the FDIC. After reaching a peak of 14,496 at the end of 1984, the number of commercial banks declined by almost one-third to 9,941 at year-end 1995. The decline was due primarily to mergers.

Only six insured commercial banks failed in 1995, the smallest number since 1977. The number of banks on the FDIC's "problem list" declined to 144 during the year, from 247 at the end of 1994. Assets of problem banks fell by one-half, to $17 billion from $33 billion. (Information about problem institutions by fund membership, not by financial institution type, appears in the charts on Pages 10 and 11.)

Number of FDIC-Insured "Problem" Institutions by Fund Membership 1991-1995 (year-end)



	1991	1992	1993	1994	1995
Total SAIF Members•	2,177	2,039	1,929	1,844	1,727
Problem Institutions	337	207	100	54	42
Percent of Total	15.5	10.2	5.2	2.9	2.4
Total BIF Members ▪	12,305	11,813	11,291	10,758	10,243
Problem Institutions	1,089	856	472	264	151
Percent of Total	8.9	7.2	4.2	2.5	1.5

• Commercial banks and savings institutions. Does not include Resolution Trust Corporation conservatorships.

▪ Commercial banks and savings institutions. Does not include insured branches of foreign banks.

Savings Institutions

Savings institutions earned a record $7.6 billion in 1995, a $1.2-billion increase from their 1994 earnings and a $783 million increase over their previous record set in 1993.

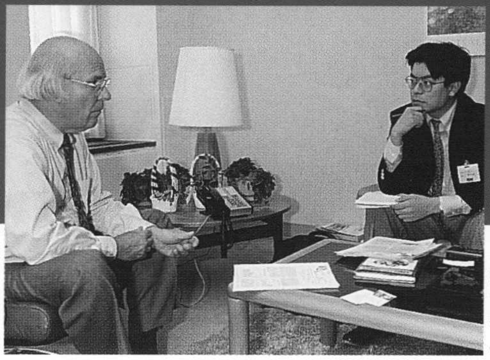
The average return on assets was 0.78 percent, the highest annual ROA reported since 1962. Most of the increase in earnings came at large institutions, where profits have been held down in recent years by credit losses. A $1.4-billion reduction in noninterest expenses, reflecting fewer restructuring charges at large institutions, was a major contributor to the earnings improvement.

Although earnings were up significantly industry-wide, only 47 percent of thrifts reported higher earnings in 1995. The main problem for many institutions was a decline in net interest income at smaller thrifts.

Thrifts received relatively little benefit from the reduction in BIF deposit insurance premiums, as three-quarters of all deposits at savings institutions are insured by the Savings Association Insurance Fund (SAIF). Unlike the BIF, the SAIF remains undercapitalized, and there was no reduction in SAIF deposit insurance premiums in 1995.

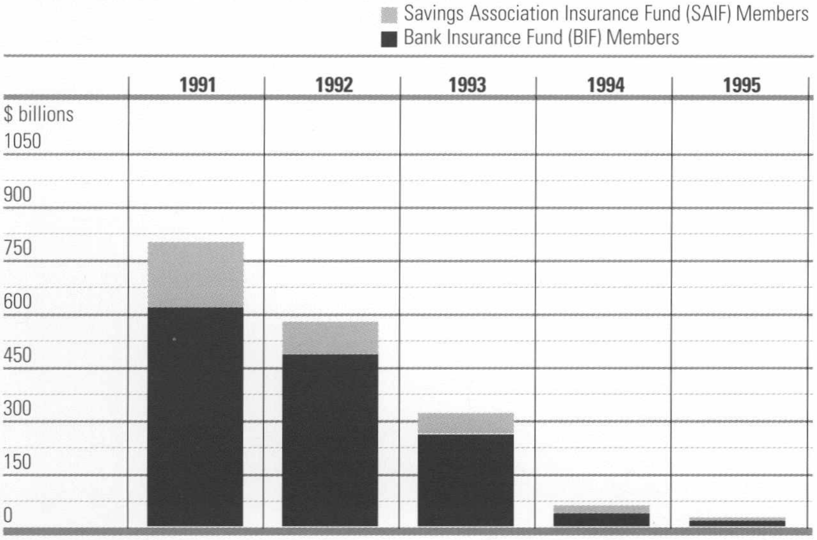
Noninterest income of $7.1 billion was almost $1 billion higher than in 1994, primarily due to gains from asset sales. The reduced noninterest expense and higher noninterest income, combined with a $371-million decline in loan-loss provisions, helped offset a $1.6-billion decline in net interest income.

Total assets increased for the second consecutive year, following five years of shrinkage. Assets grew by $17.2 billion (1.7 percent), after increasing by $7.7 billion in 1994. Much of the growth occurred in holdings of home mortgage loans, which increased by $9.8 billion (2.1 percent). There also was growth in more liquid assets, such as cash, deposits with other institutions, and overnight lending.



Research Director William R. Watson (left) speaks with a foreign journalist about U.S. banking conditions.

Assets of FDIC-Insured "Problem" Institutions by Fund Membership 1991-1995 (year-end)



($ billions)	1991	1992	1993	1994	1995
Total Assets of Problem Institutions					
SAIF Members	$ 209	$ 128	$ 65	$ 31	$ 11
BIF Members	610	464	269	42	20

Deposits increased by $4.7 billion and other borrowings increased by $4.1 billion, which helped to fund the $17.2 billion increase in assets. Most of the increase in deposits occurred during the first half of 1995, when asset growth was strongest. Deposits declined during the second half of the year, when thrifts switched back to other borrowings and asset growth slowed considerably.

Equity capital continued to rise throughout the year, increasing by $6.1 billion and reducing thrifts' needs for deposits to fund asset growth. At year-end 1995, equity capital reached 8.39 percent of assets – the highest level since 1951.

The number of insured savings institutions declined by 123 in 1995, due to acquisitions by commercial banks, conversions to commercial bank charters and mergers within the thrift industry. Only two savings institutions (both SAIF members) failed in 1995, the fewest since 1975. The number of "problem" institutions fell to 49 from 71 during the year, and their assets declined by more than half, to $14 billion from $39 billion. (Information about problem institutions by fund membership, not by financial institution type, appears in the charts on Pages 10 and 11.)

Barbara Ries

FDIC Board of Directors (left to right):
Eugene A. Ludwig
Ricki Helfer
Andrew C. Hove, Jr.
Jonathan L. Fiechter

Ricki Helfer

Ms. Helfer became the 16th Chairman of the Federal Deposit Insurance Corporation on October 7, 1994, and the first woman to head a federal banking agency. Before her appointment by President Clinton, Ms. Helfer had been a partner in the Washington office of the law firm of Gibson, Dunn & Crutcher specializing in banking and finance.

Ms. Helfer has held positions in all branches of the federal government. From 1985 to 1992, she was the chief international lawyer for the Board of Governors of the Federal Reserve System. Prior to working at the Federal Reserve Board, she served nearly two years as Senior Counsel for international finance at the U.S. Treasury Department. From 1978 to 1979 she was Counsel to the Judiciary Committee of the U.S. Senate.

Born in North Carolina and raised in Tennessee, Ms. Helfer graduated magna cum laude from Vanderbilt University with a B.A. and from the University of North Carolina with an M.A. She clerked for U.S. Court of Appeals Judge John Minor Wisdom after graduating with honors from the University of Chicago Law School and serving as Associate Editor of the Law Review. She is a member of the American Law Institute, the Council on Foreign Relations, and the Visiting Committee of the University of Chicago Law School. She is past Chairman of the Committee on International Banking and Finance of the American Bar Association. Ms. Helfer's various civic activities include serving as a member of the bcard of directors of the Girl Scouts of the USA.

Andrew C. Hove, Jr.

Mr. Hove was appointed for a second term as Vice Chairman of the FDIC in 1994. He served as Acting Chairman from August 1992 until the confirmation of Ricki Helfer as the Chairman in October 1994. Prior to his first appointment as Vice Chairman in 1990, Mr. Hove was Chairman and Chief Executive Officer of the Minden Exchange Bank & Trust Company, Minden, Nebraska, where he served in every department during his 30 years with the bank.

Also involved in local government, Mr. Hove was elected Mayor of Minden from 1974 until 1982 and was Minden's Treasurer from 1962 until 1974.

Other civic activities included President of the Minden Chamber of Commerce, President of the South Platte United Chambers of Commerce and positions associated with the University of Nebraska. Mr. Hove also was active in the Nebraska Bankers Association and the American Bankers Association.

Mr. Hove earned his B.S. degree at the University of Nebraska-Lincoln. He also is a graduate of the University of Wisconsin-Madison Graduate School of Banking. After serving as a U.S. naval officer and naval aviator from 1956-60, Mr. Hove was in the Nebraska National Guard until 1963.

Eugene A. Ludwig

Mr. Ludwig became the 27th Comptroller of the Currency on April 5, 1993. As the Comptroller, Mr. Ludwig also serves as an FDIC Board member.

Prior to becoming Comptroller, Mr. Ludwig had been with the law firm of Covington and Burling in Washington, DC, since 1973, where he specialized in intellectual property law, banking and international trade. He became a partner in 1981.

Mr. Ludwig earned his B.A. magna cum laude from Haverford College in Pennsylvania. He also received a Keasbey scholarship to attend Oxford University, where he earned a B.A. and M.A. Mr. Ludwig holds an LL.B. from Yale University, where he served as Editor of the Yale Law Journal and Chairman of Yale Legislative Services.

Jonathan L. Fiechter

Mr. Fiechter has been Acting Director of the Office of Thrift Supervision (OTS) since December 1992 and has spent the past 25 years in government service. As Acting Director of the OTS, Mr. Fiechter also serves as an FDIC Board member.

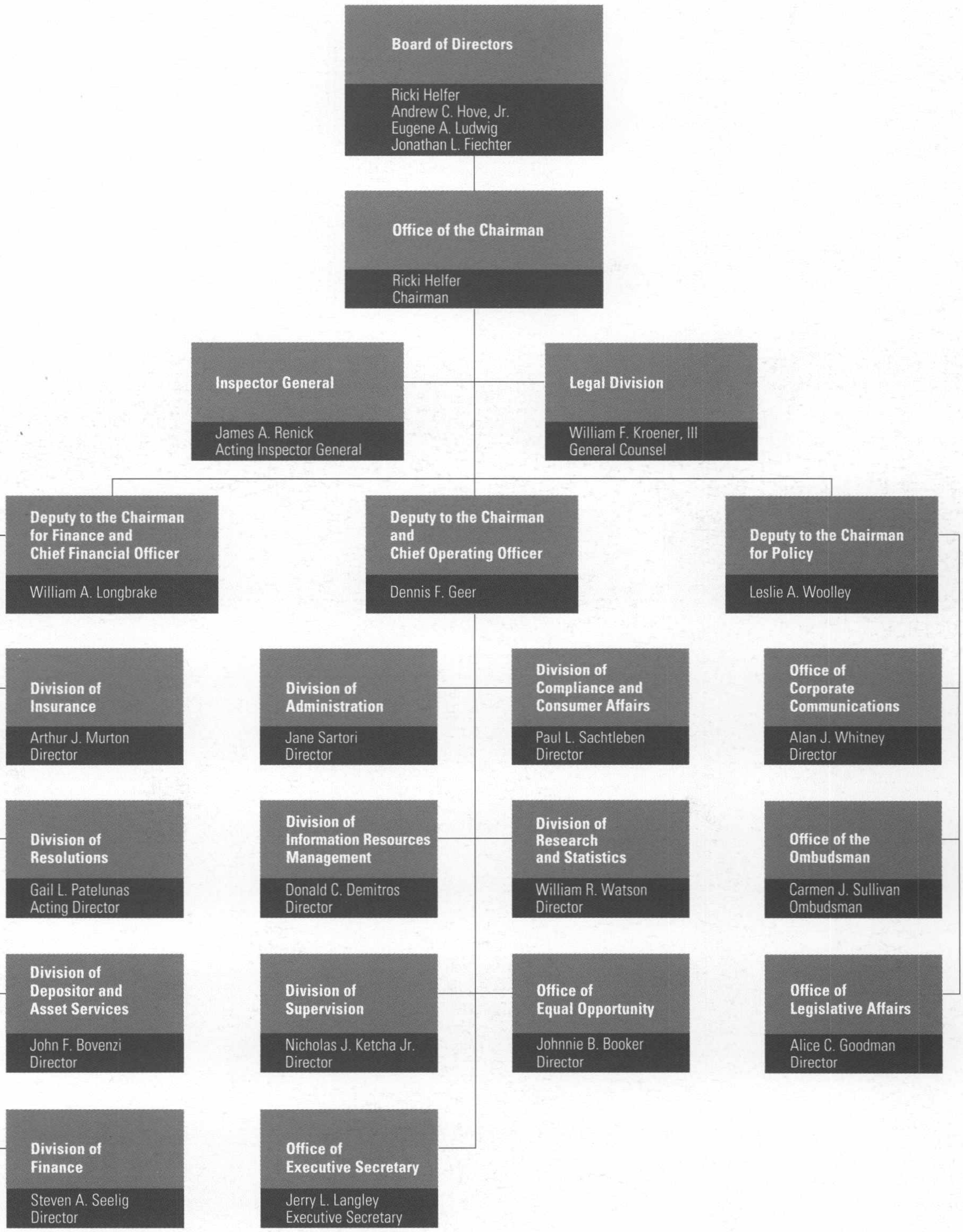
Prior to becoming Acting Director of the OTS, Mr. Fiechter was one of two Deputy Directors of the agency. In that capacity, he was responsible for overseeing the OTS's Washington, DC, operations and the closing of nonviable thrifts. Mr. Fiechter came to the OTS in 1987 from the Office of the Comptroller of the Currency, which he joined in 1978. At the OCC, Mr. Fiechter served as Deputy Comptroller in charge of research.

Mr. Fiechter began his government service in 1971 in the Office of the Secretary at the U.S. Treasury Department, working on issues related to international finance, Treasury debt policy and financial institutions reform.

A graduate of Rockford College, Rockford, Illinois, Mr. Fiechter has done graduate work in economics at the University of Virginia.

On December 22, 1995, the U.S. Senate confirmed Mississippi banking commissioner Joseph H. Neely to be a member of the FDIC Board. He was sworn in on January 29, 1996.

Organization Chart
(as of December 31, 1995)



Operations of the Corporation

More information about FDIC enforcement cases appears in the Significant Court Cases chapter of this Annual Report.

In 1995, the banking industry had its fourth consecutive year of record profits, with nearly 97 percent of all commercial banks reporting positive earnings and two-thirds having higher earnings than in 1994. The favorable earnings, plus high levels of capital and declining troubled assets, resulted in fewer bank failures and problem institutions. During this relatively calm period, the FDIC initiated a number of projects aimed at redesigning the supervisory process, improving communication with the industry and reducing regulatory burden.

FDIC Examinations 1993-1995

	1995	1994	1993
Safety and Soundness:			
State Nonmember Banks	**3,218**	3,931	4,439
Savings Banks	**294**	386	375
National Banks	**6**	11	255
State Member Banks	**4**	3	92
Savings Associations	**6**	9	523
Subtotal	**3,528**	**4,340**	**5,684**
Consumer and Civil Rights	**3,148**	3,528	3,749
Trust Departments	**657**	684	782
Data Processing Facilities	**1,671**	1,882	1,910
Total	**9,004**	**10,434**	**12,125**

New Initiatives in Supervision and Risk Assessment

The FDIC at year-end 1995 was the primary federal regulator of 6,041 state-chartered banks that are not members of the Federal Reserve System and 593 state-chartered savings banks. The FDIC also has back-up supervisory responsibility for insurance purposes over the remaining 5,336 federally insured banks and savings associations. The Division of Supervision (DOS) leads the FDIC's supervisory efforts in conjunction with other Divisions and Offices.

The DOS process for examining and supervising institutions includes on-site examinations and off-site analyses to detect poor risk management or excessive risk-taking by an institution before losses occur. As part of Chairman Helfer's emphasis on shifting the agency's focus from resolving bank failures to working to help banks remain open and operating safely, the FDIC in 1995 worked to develop a more dynamic approach that combines traditional examination methods with new initiatives.

One of the major steps taken by the FDIC in 1995 was the creation in June of a new Division of Insurance (DOI) that will analyze risks to the deposit insurance funds from a more comprehensive perspective than in the past. The new Division will identify and monitor emerging and existing risks by drawing on a wide variety of sources of information, including other FDIC Divisions, other bank regulatory agencies, other government economic statistics and analyses and data from the private sector. DOI will analyze information from the unique perspective of the deposit insurer and translate the results into guidance for examiners and financial analysts, senior FDIC managers, bankers and others who monitor banking trends. DOI also will manage the agency's risk-related premium system, whereby well-capitalized and well-managed institutions are charged considerably less for deposit insurance than institutions that are undercapitalized and exhibit other weaknesses.

The FDIC's Division of Research and Statistics (DRS), in cooperation with other divisions and offices, began a major study of bank failures of the 1980s and the early 1990s and the effectiveness of early warning signals, methods of preventing failures and actions to limit insurance losses at failed institutions. The study will be the subject of an FDIC-sponsored symposium with academic and other non-FDIC participants scheduled for January 1997.

DRS and DOI staff also began work on an effort to improve the failure projection process at the FDIC by analyzing the influence of regional and national economic trends on bank performance. This effort is consistent with the FDIC's goal of becoming more proactive in the identification of emerging risks.

In order to expand the FDIC's early warning system for potential loan problems, FDIC examiners began completing an "underwriting standards" questionnaire after each examination. The answers reflect an examiner's view of an institution's ability to identify, measure, monitor and control credit risks in various types of lending. This process is designed to help the FDIC monitor emerging risks in the banking system, identify troublesome underwriting trends across the country and direct supervisory efforts. The results of the questionnaires are expected to be released semiannually.

To improve the structure and consistency of the examination process, "decision flow charts" are being developed for examiners to use for each major risk area. These decision charts for credit risk, interest rate risk, operational risk and other risks will outline a diagnostic process that involves a graduated approach to examinations based on the level of risk at each institution. These decision flow charts are being designed to aid examiners at critical junctures in their inquiry and decision-making process. These enhanced examination procedures are expected to be used in 1996.

To prepare for full-scale interstate banking in 1997 and in an effort to centralize supervision of affiliated institutions, the FDIC is reorganizing its examination operations to create "case managers" in its regional offices. Each manager will become the authority on a given banking organization and will be responsible for preparing its risk analysis regardless of its regional or geographic boundaries. Through this process, an individual banking organization's unique risk profile will be better assessed and coordinated with other banking agencies. The case manager system also is expected to improve communication between the FDIC and banks operating in more than one region of the country.

DOS continued to develop and train specialists in emerging risk areas, including capital markets investments–such as derivatives–and the sales of mutual funds and other nondeposit investment products. The FDIC also established a task force on electronic banking and chairs an interagency working group on the subject. These groups were created in 1995 to analyze many of the issues presented by new and emerging technologies, including "smart cards" that can handle complex banking transactions and banks conducting business on the Internet. These efforts ensure proper coordination among the regulatory agencies and help the FDIC address issues that are critical to its own functions, such as deposit insurance coverage, insolvency and settlement risk, and consumer protection.
The FDIC also has established examiner training programs to expand knowledge of electronic banking issues.

Risk-Related Premiums

The following tables show the number and percentage of institutions insured by the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF), according to their risk classification as of December 31, 1995. Each institution is categorized based on its capitalization and a safety and soundness rating (A, B or C) as determined by on-site examinations and off-site reviews. Assessment rates shown represent average full-year rates per $100 of assessable deposits. Assessment rates for the BIF from January 1, 1995, to May 31, 1995, were the same as SAIF rates. From June 1, 1995, to December 31, 1995, rates for the BIF ranged from a low of four cents to a high of 31 cents per $100 of assessable deposits.

BIF Supervisory Groups	A	B	C
Well Capitalized:			
Assessment rate	$0.12	$0.15	$0.24
Number of institutions	9,646 (93.5%)	431 (4.2%)	92 (0.9%)
Adequately Capitalized:			
Assessment rate	$0.15	$0.20	$0.29
Number of institutions	75 (0.7%)	22 (0.2%)	32 (0.3%)
Undercapitalized:			
Assessment rate	$0.20	$0.29	$0.31
Number of institutions	3 (0.0%)	0 (0.0%)	17 (0.2%)
SAIF Supervisory Groups			
Well Capitalized:			
Assessment rate	$0.23	$0.26	$0.29
Number of institutions	2,288 (90.5%)	139 (5.5%)	20 (0.8%)
Adequately Capitalized:			
Assessment rate	$0.26	$0.29	$0.30
Number of institutions	27 (1.1%)	21 (0.8%)	27 (1.1%)
Undercapitalized:			
Assessment rate	$0.29	$0.30	$0.31
Number of institutions	0 (0.0%)	0 (0.0%)	6 (0.2%)

Note:
BIF data exclude 39 insured branches of foreign banks and include 75 SAIF-member "Oakar" institutions that hold BIF-insured deposits that are also included in the SAIF table. SAIF data include 801 BIF-member Oakar institutions that also hold SAIF-insured deposits that are also included in the BIF table.

In 1995, the FDIC began expanding and strengthening its ability to assess risks inherent in international banking. While the agency has personnel with extensive international banking knowledge, this program will centralize the expertise into a core group in DOS to ensure greater coordination in assessing the nature and impact of these risks. This risk-assessment program will include activities of U.S. banks abroad and foreign banks in the U.S.

In addition, the FDIC continued working with other U.S. and foreign regulators to develop a more coordinated supervisory strategy to respond to risks in international banking. For example, the FDIC, along with other U.S. bank regulators, developed a program to uniformly analyze and rate foreign banking organizations that have a U.S. presence.

The FDIC formed a task force to study how the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 would affect the banking industry and the FDIC. The law authorized interstate banking and branching to U.S. and foreign banks in 1997. The task force has been looking at the adequacy of off-site supervisory information, the effect of interstate banking on staffing, examination procedures, the insurance funds and other issues.

Also, in conjunction with other regulators, the FDIC joined in a State-Federal Working Group on Interstate Supervision. Other members of the group include the Federal Reserve System and state regulators, under the sponsorship of the Conference of State Bank Supervisors. The working group's purpose is to minimize

FDIC Applications 1993-1995

	1995	1994	1993
Deposit Insurance	**146**	**106**	**89**
Approved	145	103	89
Denied	1	3	0
New Branches	**2,135**	**1,715**	**1,224**
Approved	2,135	1,713	1,223
Branches	1,224	1,017	786
Remote Service Facilities	911	696	437
Denied	0	2	1
Mergers	**419**	**451**	**326**
Approved	419	451	326
Denied	0	0	0
Requests for Consent to Serve●	**1,092**	**1,364**	**1,772**
Approved	1,086	1,357	1,759
Section 19	86	127	99
Section 32	1,000	1,230	1,660
Denied	6	7	13
Section 19	2	1	1
Section 32	4	6	12
Notices of Change in Control	**46**	**50**	**56**
Letters of Intent Not to Disapprove	45	50	56
Disapproved	1	0	0
Conversions of Insurance Coverage■	**3**	**10**	**7**
Approved	3	10	7
Denied	0	0	0
Brokered Deposit Waivers	**30**	**42**	**68**
Approved	29	42	64
Denied	1	0	4
Savings Association Activities	**0**	**7**	**6**
Approved	0	7	6
Denied	0	0	0
State Bank Activities/Investments▲	**367**	**118**	**583**
Approved	366	118	581
Denied	1	0	2
Conversions of Mutual Institutions▼	**24**	**14**	**-**
Non-Objection	24	9	-
Objection	0	5	-

● Under Section 19 of the Federal Deposit Insurance Act, an insured institution must receive FDIC approval before employing a person convicted of dishonesty or breach of trust. Under Section 32, the FDIC must approve any change of directors or senior executive officers at a state nonmember bank that has been chartered less than two years, has undergone a change of control within two years, is not in compliance with capital requirements, or otherwise is in a troubled condition.

■ Applications to convert from the SAIF to the BIF or vice versa.

▲ Section 24 of the FDI Act in general precludes an insured state bank from engaging in an activity not permissible for a national bank and requires notices be filed with the FDIC.

▼ A new requirement in 1994 for banks to provide such notice.

A prototype created by St. Louis examiner Debra Miller was instrumental in the development of the ALERT system of off-site loan analysis.

conflicts and duplication among state and federal regulators in the supervision of state-chartered banks that operate in more than one state. In addition, the group is working toward shared technologies and common application forms.

An interagency working group operating under the Federal Financial Institutions Examination Council (FFIEC) continued its work on revising the Uniform Financial Institutions Rating System, commonly called the "CAMEL" system. The FFIEC adopted the CAMEL system on November 13, 1979, and it has proven to be an effective tool to uniformly evaluate the soundness of financial institutions and to identify institutions requiring special attention. The current review was prompted by changes in the banking industry and in the agencies' policies and procedures since 1979. Major revisions being considered include an explicit reference to the quality of risk management, the identification of risk elements within each component of the CAMEL system, and a new aspect covering interest rate risk.

DOS, in conjunction with the Division of Information Resources Management, continued to develop automated examination software packages that allow examiners to do a significant amount of analysis off-site, thereby minimizing examiner time spent in an on-site review of an institution's risks.

An automated examination package called the ALERT System was field-tested in late 1995 and in use in May 1996. ALERT provides examiners the ability to collect loan data from institutions electronically, load the information into an application and select loans for off-site review. ALERT is the first step in an effort to automate much of the examination and analytical process. The goal of these undertakings is to maximize efficiency, minimize burden and enhance the risk-assessment process.

Finally, DOS is expanding examiner access to internal and external databases to enhance pre-examination planning and off-site analysis in an effort to reduce supervisory burden. DOS has set a goal of reducing total examination hours by 10 percent and the time spent in the institution by 25 percent.

Improved Communication

The FDIC emphasizes the need for clear communication with bankers, including the sharing of economic and analytical expertise that can assist banks and thrifts in identifying, measuring and controlling risks. The FDIC in 1995 also made changes to become more responsive to the industry's views toward the supervisory process.

As required by the Riegle Community Development and Regulatory Improvement Act of 1994, the FDIC created an Office of the Ombudsman that will be an independent, neutral source of assistance to the banking community, the public and FDIC employees. Its mission is to assist in the impartial and prompt resolution of complaints against the FDIC, to gather information that ensures the FDIC's regulations and procedures are clear and up-to-date, and to address other concerns or questions about the agency.

Pursuant to the same law, the FDIC established an appeals process for decisions and conclusions made by FDIC examiners and regional supervisory officials. An appeals committee in the Washington headquarters will consider and decide an appeal and notify the institution of its decision within 60 days. The committee is comprised of the Vice Chairman of the FDIC, the Director of DOS, the Director of the Division of Compliance and Consumer Affairs (DCA), the General Counsel and the Ombudsman. Institutions may appeal a variety of material supervisory determinations, including examination ratings. Guidelines contain provisions designed to protect institutions from possible retaliation as a result of filing an appeal.

In March, DOS began asking bankers to complete a questionnaire to solicit opinions and suggestions on how to improve the quality and efficiency of the examination process. Most of the approximately 3,500 FDIC-supervised commercial banks and savings banks examined within a one-year period will be asked to complete a three-page questionnaire on such matters as the appropriateness of examination procedures, the quality of the examination team and the usefulness of the examination report.

In addition, the FDIC began to use the Internet to accept public comment on proposed regulations. The FDIC also began to explore the use of the Internet to permit electronic submission of applications and to make available supervisory materials, such as examination manuals and notices of final and proposed regulations.

Reduced Regulatory Burden

A variety of laws and regulations affecting banks in the areas of safety and soundness, crime detection and consumer protection have imposed significant costs on insured banks and thrifts (as compared to other competitors). In order to reduce these costs, the FDIC in 1995 intensified its efforts to eliminate excess regulatory burden.

Congress, for example, required the FDIC and other bank and thrift supervisors to review all regulations and policy statements. The Office of the Executive Secretary led these efforts in cooperation with other Divisions and Offices. (In 1996, new Board member Joseph H. Neely began to direct these efforts and the new Office of Policy Development took a leading role.) The FDIC also worked with other federal banking agencies to review common regulations, written policies and guidelines, with the goal of working toward uniformity. Regulations are being tested as to whether they are necessary to ensure a safe and sound banking system, enhance the functioning of the marketplace, or implement public policy related to consumer protection.

In response to the examination questionnaire mentioned previously, DOS and DCA also took steps to identify areas of the examination process that can be streamlined. For example, DOS examiners will provide banks with a minimum two-week notice before an upcoming examination, while on-site examination hours will be reduced by shifting certain examination functions outside of the bank. Also, the questionnaire asks bankers if they would prefer to have safety-and-soundness examinations

Compliance, Enforcement and Other Related Legal Actions 1993-1995

	1995	1994	1993
Sect. 8a Termination of Insurance •	**7**	**5**	**5**
Voluntary Termination of Insurance	7	2	1
Involuntary Termination of Insurance			
Notices to Primary Regulator	0	3	4
Notices of Hearing■	0	1	2
Final Order Terminating Insurance■	1	1	2
Sect. 8p Termination of Insurance (no deposits)	**1**	**2**	**11**
Sect. 8q Termination of Insurance (deposits assumed)	**16**	**9**	**8**
Sect. 8b Cease-and-Desist Orders	**29**	**42**	**78**
Notices of Charges Issued	2	1	11
Orders Issued With Notices of Charges■	3	7	8
Orders Issued Without Notice of Charges	27	41	67
Section 8 (c) Temporary Orders■	1	0	2
Sect. 8e Removal/Prohibition of Director or Officer	**42**	**50**	**64**
Notices of Intention to Remove/Prohibit	7	17	20
Orders Issued With Notice■	20	23	23
Orders Issued Without Notice	35	33	44
Sect. 8g Suspension/Removal When Charged With Crime	**1**	**0**	**2**
Civil Money Penalties Issued	**9**	**10**	**15**
Sect. 5e Cross-Guaranty Assessments/Waivers	**0**	**1**	**6**
Notices of Assessment of Liability	0	0	2
Waivers Issued	0	1	4
Sect. 7j Notices Disapproving Acquisition/Control	**1**	**0**	**0**
Sect. 19 Denials of Service After Criminal Conviction	**2**	**1**	**1**
Denials of Requests to Serve Issued	2	1	1
Final Orders Issued After Hearing■	0	1	0
Sect. 32 Notices Disapproving of Officer or Director▲	**4**	**5**	**11**
Notices of Disapproval Issued	4	5	11
Final Rulings Issued After Appeal■	0	0	3
Regulation Z Requests for Relief from Reimbursement▼	**5**	**3**	**10**
Orders Denying Requests for Relief	5	3	10
Orders Granting Relief Issued	0	0	0
Other Actions Not Listed Above	**9**	**16**	**17**
Total Number of Actions Initiated by the FDIC	**126**	**144**	**228**

• The FDIC can order the termination of deposit insurance under Section 8a for reasons that include unsafe or unsound conditions, unsafe or unsound practices, and violations of laws. After initial notice, most matters are resolved through the correction of problems or the closing of the institution.

■ These orders generally do not signify the start of compliance/enforcement proceedings and therefore are not included in totals for actions initiated.

▲ Under Section 32, the FDIC must approve any change of directors or senior executive officers at a state nonmember bank that has been chartered less than two years, has undergone a change of control within two years, is not in compliance with capital requirements, or otherwise is in a troubled condition.

▼ Regulation Z, which implements the Truth in Lending Act, requires accurate disclosures to consumers of interest rates and finance charges. Institutions that fail to comply may be ordered to reimburse customers.

Note:
Detailed information about the full range of FDIC enforcement actions, penalties, criminal referrals, lawsuits and related measures is contained in the annual "Section 918 Report to Congress," which is available from the FDIC.

Examiner Benjamin Vaughn (right) was one of the instructors from the New York DOS office at a September workshop for minority- and women-owned banks.

separate from or in conjunction with other examinations. Approximately two-thirds of the respondents wanted to have various examinations at the same time. DCA is increasing offsite, pre-examination analysis in order to minimize the burden associated with on-site examinations.

Enforcement Actions

The number of enforcement actions initiated in 1995 totaled 126, compared to 144 in 1994 and 228 in 1993 *(see table on Page 21).* This is indicative of continued improvement and prosperity in the industry. Another sign of the improved conditions in the industry is that in 1995 the FDIC initiated no "prompt corrective actions," such as early-intervention authorized by a 1991 law when an insured institution's capital condition is eroding.

One major enforcement case in 1995 involved The Daiwa Bank, Limited, Osaka, Japan. In September, Daiwa disclosed approximately $1.1 billion in securities trading losses at its New York City branch, after having concealed those losses from regulators. The FDIC, the Federal Reserve Board, and the New York State Banking Department issued joint cease-and-desist orders against Daiwa and its insured New York subsidiary, Daiwa Bank Trust Company (Daiwa Trust), to control securities trading.

These government agencies also began an investigation of Daiwa's New York City branch and Daiwa Trust. Soon thereafter, Daiwa disclosed that Daiwa Trust had lost $97 million from trading activities from 1984 through 1987. At the direction of senior management, Daiwa concealed the losses from regulators and the public. In November, Daiwa was ordered by its federal and state bank regulators to close its U.S. banking operations. The New York State Banking Department also ordered Daiwa Trust to cease its operations, while the FDIC terminated its deposit insurance. Daiwa subsequently pled guilty to assorted federal crimes and paid a fine of $340 million.

Failed Institutions

More information about failed institutions appears in the financial statements and statistical tables in the back of this Annual Report.

The success of the FDIC's mission in protecting the depositors of insured banks and savings associations is demonstrated by the fact that no depositor has ever suffered a loss of insured funds from the closing of an FDIC-insured institution. The FDIC protects depositors by managing two insurance funds–the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF). The FDIC assumed responsibility for resolving SAIF-insured institutions from the Resolution Trust Corporation (RTC) on July 1, 1995. The RTC was established by Congress in August 1989 to resolve hundreds of troubled savings associations.

In addition to operating two insurance funds, the FDIC manages the assets and liabilities of the former Federal Savings and Loan Insurance Corporation (FSLIC). The assets and liabilities of the former FSLIC are managed through the FSLIC Resolution Fund (FRF).

In most cases, a depository institution is closed by its chartering authority when it fails to meet prescribed capital requirements or is insolvent. The FDIC works closely with all chartering authorities in dealing with institutions in danger of failing.

The Division of Resolutions (DOR) is responsible for resolving a failed institution using the least-costly alternative. DOR works with other FDIC Divisions to gather data about the failing institution, estimate the potential loss from a liquidation, solicit and evaluate bids from potential acquirers and recommend the least-costly resolution to the FDIC's Board of Directors.

Failed Banks 1994-1995

	1995	1994
California	4	8
Connecticut	1	2
Hawaii	1	0
Massachusetts	0	2
Missouri	0	1
Total	6	13

Assets remaining after a failure are liquidated by the Division of Depositor and Asset Services (DAS) in an orderly fashion. The proceeds are used to pay, to the extent possible, uninsured depositors and any remaining creditors, including the repayment of the insurance funds. The Legal Division assists DOR and DAS with these duties and, when appropriate, pursues legal action against individuals whose misconduct caused losses to an insured institution.

Protecting Depositors

During 1995, the FDIC resolved six BIF-insured institutions with total assets of $753 million, down from 13 failures in 1994 with $1.4 billion in assets. The size of bank failures in 1995 was the lowest since 1980, when failed-bank assets totaled $236.2 million. This also was the lowest number of failures since 1977, when there were also six failures, and substantially below the record 206 failures in 1989. The FDIC resolved all six failures during the year through Purchase and Assumption (P&A) transactions where the insured deposits as well as some assets of the failed bank were acquired by another institution. Depositors with balances above the $100,000 insurance limit at the time of closing will receive a pro rata share of the proceeds from the liquidation of the institution. There were no failures of SAIF-insured institutions after the FDIC became responsible for them on July 1, 1995, although two savings institutions failed earlier in the year and were resolved by the RTC.

The FDIC may make an "advance dividend" payment to uninsured depositors soon after a bank's closing. The advance dividend is based on the estimated recoveries from liquidating the failed bank's assets. The FDIC made advance payments of $12.3 million to uninsured depositors in 1995. An advance dividend is not generally paid in cases where the value of the failed institution's assets cannot be reasonably determined. Advance payments were made to uninsured depositors in all six failures in 1995 and ranged from 48 to 70 percent of uninsured depositor claims.

Where appropriate, as assets are liquidated, DAS makes subsequent dividend payments to uninsured depositors and general creditors of failed banks, including payments to the FDIC as a creditor for advancing funds for insured deposits at the time of bank failures. Dividend payments during 1995 totaled $3.9 billion for bank failures from that year and previous years.

Resolution Strategies

The FDIC uses several strategies to achieve the least-costly resolution of a failing institution. The most frequently used resolution strategy is the P&A transaction, described previously. Typically, acquirers pay a premium for a failed bank's deposits and certain assets, primarily performing loans. The least desirable option is a payout of insured deposits and the subsequent liquidation of assets. This option was last used on November 5, 1993.

The FDIC also may provide "shared equity" in a resolution, through some form of preferred stock or debt, to help an acquiring institution capitalize its new assets. These capital instruments are typically issued at risk-adjusted rates and are structured with incentives for early redemption. Both the BIF and the FRF own these securities, and DOR is responsible for their management and eventual disposition. In 1995, the FDIC realized $9.5 million from one previous resolution transaction. The FDIC did not provide any capital assistance in 1995.

At year-end 1995, DOR was managing 40 assistance agreements dating back to 1977. Of these, 12 involved open bank assistance, 20 involved loss-sharing agreements with 13 different acquirers, two were limited partnership agreements and the remaining six comprised other types of assistance. These assistance agreements cover $4.3 billion in assets owned by acquiring institutions. In addition, at the close of the RTC on December 31, 1995, DOR assumed responsibility for ten interim capital assistance agreements between the RTC and minority-owned institutions that acquired thrifts from the RTC. A separate discussion of the FSLIC Resolution Fund assistance agreements, also managed by DOR, appears on the next page.

Asset Disposition

When an insured institution is closed, the FDIC is appointed receiver to administer the failed institution's deposits and assets. As of December 31, 1995, DAS was responsible for managing 653 active receiverships (590 for the BIF, 62 for the FRF and one for the SAIF). During 1995, the FDIC terminated 231 receiverships.

The FDIC's ability to provide incentives for healthy institutions to assume deposits and purchase assets of failed banks allows a portion of assets to be returned to the private sector immediately. The remaining assets are retained by the FDIC for later sale, loan workouts or other disposition.

During the year, the FDIC's efforts to dispose of assets at the time of closing resulted in approximately 27 percent of the assets of the six failed banks remaining in the private sector (about $203 million out of $753 million total). The FDIC retained the remaining 73 percent, or $550 million.

During 1995, DAS successfully settled, sold or otherwise resolved a significant portion of its asset inventory from failed institutions as follows:

- The FDIC reduced the book value of assets in liquidation 38.4 percent during the year, to $10.3 billion from $16.7 billion. Net collections for all funds totaled about $4.5 billion.
- 2,687 real estate properties, which were sold for a total of $573.3 million, yielded a recovery of 94.3 percent of the average appraised value.
- Over 23,750 loans and other assets, totaling $2 billion in book value, were sold in sealed-bid offerings and other asset marketing events. Net sales proceeds represent ed 97.7 percent of the appraised value.

Affordable Housing

The congressional appropriation of $15 million for affordable housing for fiscal year 1995 was reduced to approximately $3.7 million in July 1995. Notwithstanding the reduction in funds, the FDIC was able to help qualified buyers purchase 412 single-family properties during the fiscal year. In addition, eight multifamily properties containing 225 units were sold to nonprofit organizations and public agencies. Notable transactions included the following:

- Two multifamily properties containing a total of 15 units were sold on June 13 to the Community Development Corporation of Fitchburg, MA, for $7,500. Eight units will be set aside for low-income tenants.
- On Martin Luther King's birthday (January 16, 1995), the 83-unit Copley Gardens was dedicated in a ceremony with Rep. Barney Frank (D-MA) in Rockland, MA. The South Shore Housing Development Corporation, a nonprofit housing group, had purchased it from the FDIC for $950,000.

On October 1 – three months before the RTC closed – the RTC and FDIC affordable housing programs formally merged. The FDIC will sell the remaining RTC affordable housing.

Professional Liability Recoveries

The FDIC's Legal Division and DAS work together to identify claims against directors and officers, accountants, appraisers, attorneys and other professionals who may have contributed to the failure of insured financial institutions. The Corporation investigates the circumstances surrounding the failure of every institution and, where appropriate, sends criminal referrals to the Department of Justice. The FDIC also will pursue administrative enforcement actions and professional liability proceedings.

During 1995, the Legal Division and DAS recovered $252 million from professional liability settlements or judgments. At year-end 1995, the FDIC's caseload included investigations and lawsuits involving 147 institutions. This caseload is expected to increase in 1996 as the FDIC assumes responsibility for RTC-related cases that are still pending.

The Legal Division's criminal restitution unit tracked and coordinated more than 3,000 new criminal referrals made by regulators and institutions during 1995. Of these, 36 involved closed institutions. Also during 1995, the FDIC as receiver collected $7.6 million in court-ordered restitution from individuals convicted of bank fraud.

Liquidation Highlights 1993-1995

Dollars in billions

	1995	1994	1993
Total Failed Banks•	6	13	41
Assets of Failed Banks•	$ 0.8	$ 1.4	$ 3.5
Net Collections■	$ 4.5	$ 8.5	$ 12.5
Total Assets in Liquidation (year-end)■	$ 10.3	$ 16.7	$ 28.0

• Excludes open bank assistance transactions. The 1993 items exclude one SAIF-insured failure resolved by the Resolution Trust Corporation.

■ Includes assets from failed banks and from failed thrifts formerly insured by the Federal Savings and Loan Insurance Corporation. These assets are serviced by the FDIC as well as by asset management contractors and national servicers.

FSLIC Resolution Fund

The FDIC, through the FRF, is responsible for managing assistance agreements the former FSLIC entered into prior to August 9, 1989. The last agreement is scheduled to terminate in December 1998.

The FRF, which receives federally appropriated funds, was allocated $827 million, of which $662 million was available at the end of the year.

DOR is responsible for managing FRF's assistance agreements, which include "covered assets" (those where acquirers were guaranteed against loss and/or guaranteed a certain yield). During the year, DOR reduced the number of agreements it managed to seven from 11. Three of these assistance agreements were terminated through negotiation before their contracted termination dates.

These "early terminations" are expected to yield a cost savings of $10.6 million, primarily involving a September 1988 assistance agreement with Guaranty Federal Bank, F.S.B., Dallas, and an August 1988 assistance agreement with American Federal Bank, F.S.B., Dallas.

A settlement also was reached in a lawsuit involving FDIC's management of a FSLIC assistance agreement with Bluebonnet Savings Bank, F.S.B., Dallas, Texas. In June 1991, Bluebonnet, FSB Corporation and James M. Fail filed suit in the U.S. District Court in Dallas against the FDIC and the Office of Thrift Supervision. The lawsuit asserted that the FDIC, as manager of the FRF, breached the terms of the FSLIC assistance agreement. In August 1995, the lawsuit was settled. The FRF made a total payment of $77.5 million to Bluebonnet to settle all matters and to provide for an early termination of the assistance agreement.

Covered assets were reduced to $108 million from $1.0 billion through sales and other adjustments. In addition, DOR is administering 30 terminated FRF agreements that have outstanding issues and 45 agreements that only require the monitoring and collection of tax benefits due to the FRF beyond the contractual termination of the agreements. Approximately $279 million in tax benefits were realized by the FRF in 1995.

Chairman Helfer discussed the new strategic plan—the first in the agency's history—at an April videotaping for employees.

While DOR manages the FRF agreements and covered assets, DAS is responsible for liquidating FRF assets and liabilities. At year-end 1995, the FRF portfolio of assets in liquidation had a book value of $1.5 billion, down from $1.8 billion at the end of 1994, despite the purchase of $534 million of assets during 1995 related to the early terminations. FRF net liquidation collections totaled $634 million in 1995.

On January 1, 1996, the FDIC's FRF received from the RTC its remaining $14 billion of corporate assets and $11 billion of corporate liabilities. RTC receivership assets included $7.7 billion (book value) of assets in liquidation and $12.7 billion (book value) in other assets and cash reserves from the RTC's securitization sales. The FDIC expects to recover $14 billion from these receivership assets to cover the $11 billion in corporate liabilities assumed.

The FRF will continue until all of its assets are sold or liquidated and all of its liabilities are satisfied. Any funds remaining will revert to the U.S. Treasury.

In addition to protecting failed-bank depositors, the FDIC has a strong consumer protection responsibility in other areas. These efforts include enforcing compliance with consumer protection and civil rights laws, and helping to educate bankers and consumers on topics such as community reinvestment, fair lending and deposit insurance. Highlights for 1995 follow.

CRA Reform

The FDIC continued working with the other federal bank and thrift regulatory agencies on revising regulations relating to the Community Reinvestment Act (CRA), a 1977 law that encourages banks and thrifts to meet the credit needs of their communities. After issuing proposed changes to the regulations in 1993 and 1994 – on which the agencies collectively received almost 14,000 comment letters – a final rule was approved in April 1995.

The revised CRA regulation emphasizes evaluations of an institution based on actual lending, investment and service. The new regulation promotes consistency in evaluations, and eliminates unnecessary record-keeping and reporting requirements without compromising effective enforcement. In general, the new regulation establishes different performance tests for different types of institutions – large institutions, small institutions, and wholesale and limited-purpose institutions. Also, an institution may opt to be assessed under an agency-approved "strategic plan" that has been designed by the institution, issued for public comment and is based on measurable performance goals.

Implementation of the final regulation will occur during a two-year period that began July 1, 1995. Small institutions began to be evaluated under the new streamlined standards for performance on January 1, 1996. Large institutions began collecting data for the new tests on January 1, 1996, but the first reports are not due until March 1, 1997. Institutions received free software in December of 1995 to assist them in collecting the CRA loan data.

After the final rule was issued, the FDIC continued to work with the other federal bank and thrift regulatory agencies to apply the new standards consistently. Uniform interagency CRA examination procedures and performance evaluations were issued in December 1995. In addition, under the auspices of the Federal Financial Institutions Examination Council, the agencies conducted joint CRA training sessions attended by more than 1,200 examiners and other personnel.

Compliance Examinations

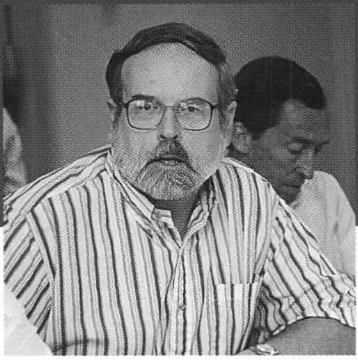
The duties of the Division of Compliance and Consumer Affairs (DCA) include examining FDIC-supervised banks for compliance with consumer protection laws. DCA conducted 3,148 such examinations in 1995. As a result of these or previous examinations, 328 banks reimbursed nearly $2.3 million to consumers during 1995 for violations of the Truth in Lending Act regarding incorrect disclosures. That law requires accurate disclosures of interest rates and finance charges so that loan applicants can comparison-shop for a mortgage or other consumer loan.

During 1995, DCA continued its efforts to improve the quality and effectiveness of the compliance examination. To identify and address the concerns of the banking industry, DCA surveyed 784 FDIC-supervised banks to determine how institutions viewed the quality of the examination. By year-end, DCA began implementing improvements in the examination process that reflected survey findings. Among the most important changes was the adoption of extensive pre-examination planning aimed at narrowing the focus of the compliance examination and reducing the time examiners spend in a bank.

A new manual outlining the compliance examination from pre-examination planning to report preparation was being developed for distribution in 1996. Additionally, DCA began testing new software that will assist examiners in evaluating lending performance by providing ready access to census, loan and other data.

Community Outreach

One of the many ways the FDIC promotes compliance with fair lending laws is by meeting with bankers, community and consumer groups, government officials and citizens to exchange information about CRA and fair lending. Examples of community outreach activities conducted by DCA during 1995 include a focus group held in Mississippi to identify roadblocks to rural lending, banker training sessions in Kansas and Texas on fair lending and fair housing, and seminars in California with community groups and tribal representatives on lending to Native Americans.



David H. Moulton of DCA's Memphis regional office discusses FDIC community outreach efforts during a staff meeting in Washington.

Geoffrey L. Wade

DCA in 1995 also emphasized programs intended to overcome obstacles to lending for minority-owned small businesses. For example, the Division sponsored meetings in South Carolina with bankers, local government officials, small business owners and representatives of community organizations to discuss issues such as lending discrimination and changes to CRA regulations of interest to small businesses. Similar forums and activities were conducted in several locations nationwide.

Deposit Insurance Training

DCA and the FDIC's Legal Division sponsored deposit insurance training seminars for bankers in 11 cities during 1995. As the staff of an insured institution generally is a customer's first source of information about FDIC deposit insurance, the seminars were aimed at educating bank employees on what deposit insurance does and does not cover, and how to explain coverage accurately and clearly to consumers.

Topics addressed at the FDIC seminars included the most common reasons why deposits are not insured. A guide to uninsured investment products, such as mutual funds, also was provided. Each participant received a handbook containing a comprehensive description of the deposit insurance rules, and other materials that institutions can use to develop and conduct their own training programs. DCA, in conjunction with the Legal Division, also began developing a video based on the seminars.

Responses to Consumer Complaints and Inquiries

DCA maintains a toll-free telephone hotline to handle inquiries from the public [1-800-934-FDIC (3342) or 202-942-3100 in the Washington, DC, area]. The service also accommodates telecommunications devices for the deaf (1-800-925-4618 or 202-942-3147). More than 48,000 telephones calls were received by DCA's Washington headquarters and eight regional offices in 1995. As in the past, the vast majority of the calls dealt with deposit insurance. However, other significant categories of calls involved general information about bank operations and consumer protection laws, the use of Home Mortgage Disclosure Act reports in detecting possible lending discrimination, and truth-in-lending rules that ensure borrowers have adequate information about a loan's costs and terms. The number of calls received during 1995 was somewhat lower than the 55,000 calls in 1994, which may be due to the continuing decline in the number of bank failures.

DCA also responded to approximately 5,800 written consumer complaints and inquiries during the year. Significant categories included lending discrimination, protections against inaccurate or misleading information in credit files, deposit insurance coverage and other matters relating to deposit services.

In addition, the FDIC's Office of Legislative Affairs (OLA) coordinated with other Divisions and Offices on responses to approximately 1,400 written inquiries from members of Congress. Most of these inquiries were on behalf of constituents wanting to know about FDIC policies and practices. Many inquiries received by OLA raised consumer-related issues such as financial institution compliance with consumer protection laws, questions about deposit insurance coverage, and bank and thrift disputes with individual consumers over services and prices.

In a related development, the agency in 1995 created an Office of the Ombudsman to respond to questions, concerns or complaints about the FDIC from consumers, bankers and other members of the public.

On-Line Consumer Information

In February 1995, the FDIC unveiled its World Wide Web page on the Internet (http://www.fdic.gov), thus providing the public with ready access to FDIC consumer information, press releases and statistics on banking.

Consumer information on the FDIC's Internet web-site includes selected articles and fact sheets on deposit insurance coverage, an explanation of the FDIC's procedures for paying deposit insurance when an institution fails, and the text of two consumer brochures (*Your Insured Deposit*, a summary of the FDIC's deposit insurance rules, and *Insured or Not Insured*, a guide to what bank products are and are not insured by the FDIC).

Consumers now can send messages to DCA via the Internet to get answers to specific questions about deposit insurance, fair lending rules and other consumer protections (Internet address: consumer@fdic.gov).

The FDIC's wide-ranging legal activities include matters relating to the supervision of FDIC-insured institutions, the resolution of failed institutions, the liquidation of assets, and the pursuit of liability claims against failed bank officers, directors and professionals.

In 1995, the Legal Division, working closely with other Divisions and Offices, was involved in several noteworthy court cases. Most involved failed institutions and the "cross-guaranty" authority of the FDIC to recover all or part of its failed-bank costs from commonly controlled subsidiaries of a holding company.

D'Oench Duhme

In 1942, in D'Oench, Duhme & Co. v. FDIC, the U.S. Supreme Court established a broad rule protecting the FDIC against any arrangements, including verbal or secret agreements, that are likely to mislead bank examiners in their review of a bank's records, even if there was no intent to deceive. Since then, the FDIC has relied on the so-called D'Oench Duhme doctrine and its statutory counterpart to ensure that the true financial condition of an institution can be accurately assessed from its records. This is essential to supervising open institutions and resolving failing ones.

However, in a 1995 decision, the U.S. Court of Appeals for the District of Columbia Circuit (Murphy v. FDIC) held that the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) replaced the D'Oench Duhme doctrine. Citing a June 1994 Supreme Court ruling (O'Melveny and Myers v. FDIC), the D. C. Circuit found that the Supreme Court held that new and comprehensive legislation replaced common law doctrines such as D'Oench Duhme. The FDIC disagreed with the D.C. Circuit's decision and continued to litigate D'Oench cases within FDIC guidelines outside of the D.C. Circuit. (On May 8, 1996, in Motorcity v. FDIC, the U.S. Court of Appeals for the Eleventh Circuit in Atlanta, Georgia, expressly rejected the D.C. Circuit's holding and found that the D'Oench Duhme doctrine was not displaced by FIRREA.)

First City Bancorporation

A global settlement reached in 1995 released the FDIC from all claims made by First City Bancorporation of Texas, Houston, in a case involving a series of transactions. In 1988, the FDIC provided significant assistance to the banking subsidiaries of First City, to enable the banks to maintain solvency. On October 30, 1992, the Office of the Comptroller of the Currency closed First City's Houston operation and the Texas Banking Commissioner closed its Dallas subsidiary. Later that same day, chartering authorities closed the holding company's 18 other bank subsidiaries after the FDIC exercised its authority to seek reimbursement for its losses on the Houston and Dallas banks. The FDIC's use of this "cross-guaranty" authority, granted by FIRREA, rendered the 18 banks insolvent.

In 1993, First City filed suit against the FDIC, contesting a portion of the open-bank assistance agreement from 1988 and the FDIC's right to assess First City's 18 subsidiaries in 1992. In June and July of 1995, a global settlement was reached, with the approval of a Dallas bankruptcy court, releasing the FDIC from all claims and liabilities. The settlement, which involved no cost to the Bank Insurance Fund, enabled claimants against the bankrupt holding company to receive early distributions of more than $300 million in assets held by the FDIC in its receivership capacity.

Meriden Trust and Safe Deposit Company

In 1992, the FDIC assessed Meriden Trust and Safe Deposit Company of Meriden, Connecticut, for a $152 million loss from the failure of its affiliate, Central Bank of Meriden. Cenvest, Inc., the holding company that owned the two banks, challenged the FDIC's decision.

The U.S. District Court in Connecticut ruled in favor of the FDIC in June of 1994, confirming its authority to levy the cross-guaranty assessment. Then, in July of 1994, the FDIC closed Meriden Trust, marking the first time the FDIC closed an insured institution and appointed itself as receiver under powers granted by Congress in 1991 (in contrast to being appointed receiver by the chartering authority). The bank reopened as an FDIC-owned "bridge bank" and was sold in November of 1994 for $7.8 million.

Cenvest appealed the District Court's decision, but on August 2, 1995, the U.S. Court of Appeals for the Second Circuit in New York City upheld the District Court's ruling in favor of the FDIC.

Maine National Bank

The FDIC levied a cross-guaranty assessment against Maine National Bank, Portland, Maine, for the 1991 failure of its affiliate, Bank of New England, N.A., Boston. The assessment rendered Maine National insolvent, and the chartering authority closed it in 1991. The trustee of the banks' holding company contested the FDIC's assessment in court, arguing that it was a taking of property without just compensation in violation of the Fifth Amendment. The U.S. Court of Federal Claims in Washington, D.C., ruled in favor of the trustee, finding that there was a taking of property without compensation. The FDIC appealed the Court's decision.

On November 13, 1995, the U.S. Court of Appeals for the Federal Circuit in Washington, D.C., in a unanimous opinion, reversed the earlier decision. It upheld the FDIC's cross-guaranty assessment power and rejected the trial court's conclusion that such authority is a radical departure from the common law principle of limited corporate liability. On December 28, 1995, the trustee filed a petition for rehearing before the Federal Circuit. As of year-end, a decision was still pending.

Doolin Security Savings Bank, FSB

In May, the U.S. Court of Appeals for the Fourth Circuit in Richmond, Virginia, affirmed the 1994 decision of the FDIC Board to terminate deposit insurance for Doolin Security Savings Bank, FSB, New Martinsville, West Virginia. Doolin had disputed its deposit insurance premium and withheld a portion of its payment to the FDIC. The FDIC initiated insurance termination proceedings against the bank. Doolin later petitioned the U.S. Supreme Court to review the matter, but the petition was denied on November 13, 1995. Thus, Doolin was required to pay its delinquent deposit insurance premiums.

The case is considered significant in terms of supporting the FDIC's risk-related insurance premium system, which went into effect in 1993. Throughout the dispute, the FDIC maintained deposit insurance coverage at the bank for the benefit of Doolin's customers.

Meritor Savings Bank

In April 1994, a major shareholder in Meritor Savings Bank, Philadelphia, and other assorted shareholders filed suit against the FDIC, alleging that the Commonwealth of Pennsylvania and the FDIC conspired to close Meritor in 1992. The shareholders also alleged that the FDIC had mismanaged the receivership estate.

In February 1995, the U.S. District Court for the Eastern District of Pennsylvania, sitting in Philadelphia, dismissed all counts of the complaint against the FDIC as receiver and in its corporate capacity. The case is significant because the Court concluded that the shareholders did not have a right to an accounting from the FDIC for the receivership's actions beyond the information the statute requires the receivership to make available to other parts of the government.

A main focus of the FDIC in 1995 was conducting a thorough review of the Corporation's mission and operations as the workload from failed banks continued to decline and as Resolution Trust Corporation (RTC) employees and functions transferred to the FDIC. This review emphasized key goals of Chairman Helfer, including shifting the focus from an agency that resolves bank failures to one that actively works to keep institutions open and operating. This shift will require enhancing and building upon many of the functions the FDIC has long performed.

Also, on December 22, 1995, the U.S. Senate confirmed Joseph H. Neely as a member of the Board of Directors. Mr. Neely, a former Mississippi banking commissioner, was nominated by President Clinton on July 14. (He was sworn in on January 29, 1996.) Mr. Neely's confirmation marked the first time since August 1992 that all five Board positions were filled.

Emphasis on Efficiency and Running the FDIC Like a Business

In setting a new direction for the agency, the FDIC launched several initiatives. In April, the Board approved a strategic plan to guide the Corporation through the end of the decade. It is the first formal, corporate-wide strategic plan in the FDIC's 61-year history. Major goals center on identifying and addressing risks to the insurance funds and improving communications with the public. To carry out the strategic plan, staff developed a corporate-wide operating plan that focuses on specific short-term objectives and projects to achieve the long-term goals set out in the strategic plan. Initially, the agency established 151 projects, of which approximately 30 were completed as of year-end 1995. FDIC staff will add projects to the plan in 1996 as needed.

In May, Chairman Helfer announced significant organizational changes to help achieve the goals of the strategic plan. These changes included the creation of a Division of Insurance *(see Page 17)*, an Office of the Ombudsman *(see Page 20)*, a Division of Administration (DOA) and an Office of Policy Development (OPD).

DOA consolidates functions of three separate offices for personnel management, corporate services and staff training. DOA's early initiatives included a new performance-management system that encourages employees to take an active part in establishing the criteria for their performance evaluation. OPD will coordinate policy development among all FDIC Divisions and Offices, evaluate the policy implications of regulatory and legislative proposals, and formulate corporate positions on emerging issues.

The Office of Inspector General (OIG) continued to conduct audits, investigations and other activities that improved corporate economy and efficiency while preventing fraud and abuse. The Inspector General, who is appointed by the President and confirmed by the Senate, keeps the Board of Directors and Congress apprised of potential waste, fraud and abuse or other serious problems in FDIC programs and operations. During 1995, the OIG issued reports identifying $18.8 million in potential cost recoveries and savings that Corporation management agreed to pursue. The OIG presented a total of 126 audit reports to the Board of Directors, resulting in improvements across the Corporation. In addition, the OIG helped obtain 12 convictions or guilty pleas and made 103 referrals to the Department of Justice, the FBI and other federal agencies during the year. These investigations resulted in the recovery and restitution of more than $1 million to the Corporation.

Among the many other examples of efforts to increase efficiency at the FDIC is the continued work to make banking statistics available on the Internet. Various reports, which can be downloaded and incorporated into spreadsheet applications, allow for easier use and updating, and significantly reduce the FDIC's printing costs.

Staffing and Budget Reductions

At year-end, the FDIC had 9,789 employees, down approximately 16 percent from year-end 1994 and 37 percent below the peak level in the second quarter of 1993. These figures reflect the continuing decline in agency workload from bank failures.

In November 1995, senior management announced a two-phased buyout program for career FDIC and RTC employees with incentives either to retire or voluntarily resign. Employees in the first phase were eligible to leave by year-end, and more than 300 accepted. Eligible employees who accepted the second phase

Number of Officials and Employees of the FDIC 1994-1995 (year-end)

	Total		Washington		Regional/Field	
	1995	1994	1995	1994	1995	1994
Executive Offices●■	96	178	96	169	0	9
Division of Supervision▲	3,055	3,369	149	159	2,906	3,210
Division of Depositor and Asset Services	2,623	3,796	129	79	2,494	3,717
Legal Division	1,298	1,531	435	434	863	1,097
Division of Compliance and Consumer Affairs▲	463	398	40	24	423	373
Division of Finance	629	692	279	311	350	381
Division of Information Resources Management	499	548	352	382	147	166
Division of Research and Statistics	51	60	51	60	0	0
Division of Resolutions	233	253	81	74	152	179
Office of Inspector General	149	192	149	192	0	0
Office of Personnel Management■	N/A	196	N/A	185	N/A	11
Office of Equal Opportunity	34	31	28	31	6	0
Office of Corporate Services■	N/A	383	N/A	209	N/A	174
Office of the Ombudsman▼	66	N/A	3	N/A	63	N/A
Division of Insurance◘	1	N/A	1	N/A	0	N/A
Division of Administration■	592	N/A	386	N/A	206	N/A
Subtotal - FDIC	9,789	11,627	2,179	2,309	7,610	9,318
Resolution Trust Corporation○	2,067	5,899	1,072	1,649	995	4,250
Total	11,856	17,526	3,251	3,958	8,605	13,568

● For 1994, Executive Offices include the Offices of the Chairman, Vice Chairman, Director (Appointive), Executive Secretary, Corporate Communications, Legislative Affairs, and Training and Educational Services. The 1995 number also includes the Chief Financial Officer, Chief Operating Officer and the Deputy for Policy but omits the Office of Training and Educational Services.

■ In May 1995, the FDIC announced the merger of the Offices of Personnel Management, Corporate Services, and Training and Educational Services (the latter formerly part of the Executive Offices) into a new Division of Administration.

▲ In August 1994, the FDIC announced the merger of the former Office of Consumer Affairs and the compliance examination function from the Division of Supervision into a new Division of Compliance and Consumer Affairs.

▼ In May 1995, the FDIC began staffing the new Office of the Ombudsman.

◘ The only employee in the new Division of Insurance in 1995 was its director, named on October 30.

○ The RTC staffing totals include employees who were organizationally transferred from the RTC to the FDIC in Spring/Summer 1995, but who continued to work exclusively on RTC functions throughout 1995. The RTC totals also include certain FDIC employees in Chicago who were dedicated to RTC functions early in 1995, and who worked exclusively on these RTC functions for the balance of 1995.

of the buyout began leaving during the first quarter of 1996 and will continue leaving through the third quarter of 1997. For both phases, 940 employees accepted the buyout offer.

The buyout program was intended to lessen the scope of a reduction-in-force (RIF), which under federal law and FDIC policy cannot take place until 1997. By offering a buyout in 1995, the Corporation estimated it will save $129 million compared to waiting until 1997 to conduct a wide-scale RIF. Throughout 1996, the FDIC will evaluate additional voluntary staff reductions in an effort to minimize the effect of a possible RIF. Approximately 1,200 temporary staff appointments expire in 1996.

The FDIC assisted personnel affected by the downsizing effort by conducting numerous training seminars and job fairs and establishing Outplacement Resource Centers both in the field and in Washington.

As a result of efforts to streamline, consolidate and reduce its operations, FDIC spending dropped to $1.37 billion in 1995, which was 23 percent below the previous level and eight percent below the amount budgeted for the year.

As Director of the new Division of Administration, Jane Sartori had major responsibility for integrating RTC personnel and functions into the FDIC.

W.W. Reid

FDIC-RTC Transition

The FDIC successfully completed the integration of RTC personnel and operations into the FDIC in conjunction with the close of the RTC on December 31, 1995. The joint FDIC/RTC Transition Task Force, which had the statutory mission of planning for and overseeing the transition, coordinated this effort.

Approximately 1,300 permanent RTC employees were reassigned to the FDIC during 1995, bringing the total number of permanent RTC employees absorbed by the FDIC over the past four years to about 2,100. An additional 764 temporary RTC employees also were transferred to the FDIC at the end of 1995, primarily to assist with the completion of the substantial volume of residual RTC work. This included responsibility for the management and disposition of the remaining RTC assets and liabilities *(see Page 26)*.

The task force also completed extensive reviews of FDIC and RTC automated systems and other significant operational differences between the two corporations. These reviews were the basis for recommendations to the FDIC on the best systems and practices to be used for future FDIC work. At year-end, the FDIC had implemented, or was in the process of implementing, each of the best practice and system recommendations made by the task force.

Regulations and Legislation

Note: Publication dates refer to when an item appeared in the *Federal Register.*

Final Rules

Deposit Insurance Disclosures

The FDIC amended Part 330 of its regulations to require insured institutions to disclose to administrators of certain retirement and other employee benefit plan accounts whether their funds qualify for "pass-through" deposit insurance coverage. Among the types of accounts affected are 401(k) retirement accounts, Keogh plan accounts, and corporate pension and profit-sharing plan accounts. Generally, "pass-through" insurance means that each participant in the plan, rather than the total account balance, is individually insured up to $100,000. The new rule also makes technical amendments to Part 330 involving joint accounts, accounts where an insured institution is acting in a fiduciary capacity, and commingled funds of a bankruptcy estate. The "pass-through" revisions became effective on July 1, 1995, while the technical amendments went into effect on March 13, 1995.

Approved:	*January 31, 1995*
Published:	*February 9, 1995*

Deferred Tax Assets

The FDIC amended Part 325 of its regulations by revising its capital standards to establish a limit on the amount of deferred tax assets an FDIC-supervised bank may include in Tier 1 capital for risk-based and leverage capital purposes. Deferred tax assets are assets that reflect, for financial reporting purposes, the amounts that will be realized as reductions of future taxes or as future receivables from a taxing authority. The effective date of the final rule was April 1, 1995.

Approved:	*January 31, 1995*
Published:	*February 13, 1995*

Assets Transferred with Low Levels of Recourse

The FDIC amended Part 325 of its regulations to limit the amount of risk-based capital that FDIC-supervised banks must maintain for low-level "recourse" transactions. Recourse involves the retention of any risk of loss by an institution in connection with an asset or pool of assets it transfers to some other party. The final rule, which became effective on April 27, 1995, implements Section 350 of the Riegle Community Development and Regulatory Improvement Act of 1994 and corrects an inconsistency in the FDIC's risk-based capital standards.

Approved:	*March 21, 1995*
Published:	*March 28, 1995*

Standards for Safety and Soundness

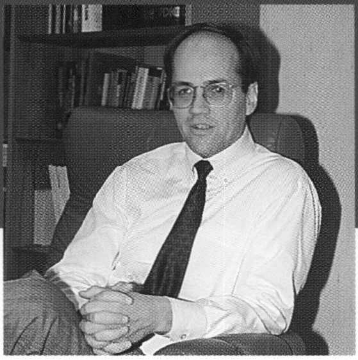
To comply with Section 132 of the FDIC Improvement Act of 1991, the FDIC, together with the other federal bank and thrift regulatory agencies, amended Parts 303, 308 and 364 of its regulations to establish deadlines for submitting and reviewing safety and soundness compliance plans. The agencies also adopted interagency guidelines establishing standards for safety and soundness, which appear as an appendix to each agency's final rule. The effective date of the final rule was August 9, 1995.

Approved:	*March 21, 1995*
Published:	*July 10, 1995*

Community Reinvestment Act

The FDIC amended Part 345 of its regulations implementing the Community Reinvestment Act, while the other federal bank and thrift regulators approved parallel rules. The new regulation replaces the 12 assessment factors in the old rule with a more performance-based process to determine whether financial institutions are meeting the credit needs of their communities. The new rule also establishes different tests for large and small institutions, as well as for retail and wholesale or limited purpose banks. It also gives all institutions the option of being evaluated on the basis of a "strategic plan" designed by each institution. The rule also reduces regulatory burdens, particularly for small institutions. The final rule will be phased in over a two-year period that began July 1, 1995.

Approved:	*April 24, 1995*
Published:	*May 4, 1995*



FDIC veteran economist Arthur J. Murton was chosen Director of the new Division of Insurance, which will identify potential risks to the insurance funds.

Interest Rate Risk

The FDIC, acting jointly with the Federal Reserve Board and the Office of the Comptroller of the Currency, amended its risk-based capital standards (Part 325) to include a bank's exposure to changes in interest rates as a factor in evaluating the institution's capital adequacy. The final rule, which became effective on September 1, 1995, implements Section 305 of the FDIC Improvement Act of 1991.

Approved:	*June 27, 1995*
Published:	*August 2, 1995*

Assessment Rates for the Bank Insurance Fund

The FDIC amended Part 327 of its regulations to reduce the insurance premiums for the Bank Insurance Fund (BIF). The rule establishes a new assessment rate range of four to 31 cents per $100 of assessable deposits, depending on each institution's risk classification. The previous range was 23 to 31 cents per $100. In addition, the rule amends the assessment schedule to widen the rate spread to 27 cents per $100, from eight cents per $100. The rule also established a procedure for adjusting the rate schedule if necessary to maintain the BIF's designated reserve ratio of 1.25 of total estimated insured deposits. The effective date of the rule is September 15, 1995. The FDIC Board reduced the BIF rate again on November 14, 1995 *(see the next page).*

Approved:	*August 8, 1995*
Published:	*August 16, 1995*

Assessment Rates for the Savings Association Insurance Fund

The FDIC Board voted to retain the existing assessment rate schedule for the Savings Association Insurance Fund (SAIF). The effect of this final rule is that institutions whose deposits are subject to assessment by the SAIF will pay higher assessment rates than BIF-insured institutions. The Board noted in its rulemaking that the SAIF remains seriously undercapitalized. The SAIF assessment rate will continue to range from 23 to 31 cents per $100 of assessable deposits, depending on risk classification. This rule became effective on September 15, 1995. The Board also voted on November 14, 1995, to maintain this same rate *(see the next page).*

Approved:	*August 8, 1995*
Published:	*August 16, 1995*

Derivative Contracts

The FDIC amended Part 325 of its regulations to revise the risk-based capital calculations used to determine the potential future exposure of derivative contracts. Under the final rule, the "conversion factors" used in calculating potential future exposure will be changed to reflect the higher risks of "long dated" interest rate and exchange rate contracts. Conversion factors for derivative contracts related to equities, precious metals and other commodities will be revised to reflect the volatility of the underlying indices or prices. The final rule was effective October 1, 1995.

Approved:	*August 25, 1995*
Published:	*September 5, 1995*

Insurance Collections and Calculations

The FDIC amended Part 327 of its regulations to change the payment date for the first quarterly assessment payment for the first semiannual period in each year. This first quarterly payment now will be due the first business day after January 1, rather than by December 30 of the previous year. This change eliminates a possible fifth assessment payment in 1995 that would have been required for institutions using the cash-basis method of accounting. The rule also allows prepayment of premiums as well as doubling of invoice payments (except the January payment) with advance notice to the FDIC. Additionally, the rule changes the way interest rates on assessment underpayments and overpayments are calculated, and shortens the timetable for announcing changes in the assessment rate from 45 to 15 days prior to the invoice date. The effective date of the final rule was September 29, 1995, except for the change to the calculation of interest rates, which became effective October 30, 1995.

Approved:	*September 26, 1995*
Published:	*September 29, 1995*

Claims on OECD-Based Governments and Banks

The FDIC amended Part 325 of its regulations to modify the risk-based capital definition for claims on central governments and banks in countries that are members of the Organization for Economic Cooperation and Development (OECD). Given that claims on OECD countries generally get favorable capital treatment, the new rule clarifies that the OECD-based group of countries includes all countries that are members, regardless of when they entered the OECD. The effective date of the rule is April 6, 1996.

Approved:	*October 26, 1995*
Published:	*December 20, 1995*

Assessment Rates for the Bank Insurance Fund

For the second time this year, the FDIC Board voted to reduce the deposit insurance premiums paid by BIF-insured institutions. Assessment rates were lowered by four cents per $100 of assessable deposits, starting in January of 1996. Given the four cent reduction, the highest-rated institutions will pay the statutory annual minimum of $2,000 for FDIC insurance. The assessment rate for the weakest institutions was reduced to 27 cents per $100, from 31 cents per $100. The average assessment rate is the lowest in the more than 60-year history of federal deposit insurance for banks. The rate reduction was made possible because of the high balance in the BIF, the health of the banking industry and the low projected losses to the fund.

Approved:	*November 14, 1995*
Published:	*December 11, 1995*

Assessment Rates for the Savings Association Insurance Fund

For the second time this year, the FDIC Board voted to maintain existing assessment rates for the SAIF. Those rates range from 23 cents to 31 cents per $100 of assessable deposits. SAIF-insured institutions will continue to pay higher rates than BIF-insured institutions because the SAIF remains seriously undercapitalized.

Approved:	*November 14, 1995*
Published:	*December 11, 1995*

Technical Amendments to the CRA Rules

The FDIC, along with the other federal bank and thrift regulators, amended Part 345 to make technical corrections to the Community Reinvestment Act regulations adopted by the FDIC on April 24. The amendments also clarify the transition rules. The technical amendments took effect January 1, 1996.

Approved:	*December 13, 1995*
Published:	*December 20, 1995*

Qualified Financial Contracts

The FDIC amended Part 360 of its regulations to expand the definition of "qualified financial contracts." The definition now includes spot and other short-term foreign-exchange agreements and repurchase agreements on qualified foreign government securities. The effective date of the rule was December 27, 1995.

Approved:	*December 19, 1995*
Published:	*December 27, 1995*


W. W. Reid

DCA consumer affairs specialists nationwide, including Marietta Moore in Washington, help bankers and their customers understand FDIC rules.

Interim Rules

Originated Mortgage Servicing Rights

The FDIC, together with the other federal bank and thrift regulators, approved an interim rule amending Part 325 of its regulations regarding capital limits on "originated mortgage servicing rights" held by FDIC-supervised banks. These generally are servicing rights acquired when an institution originates mortgage loans and later sells the loans but retains the rights to provide services for a fee. The effective date was August 1, 1995, although written comments were accepted until October 2, 1995.

Approved:	*July 21, 1995*
Published:	*August 1, 1995*

Small Business Loans Sold with Recourse

The FDIC approved an interim rule amending Part 325 of its regulations to reduce the minimum capital levels FDIC-supervised institutions must maintain for certain small business loans and leases that are sold with recourse. The interim rule, which became effective August 31, 1995, implements Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994. Written comments were received through October 30, 1995.

Approved:	*August 25, 1995*
Published:	*August 31, 1995*

Proposed Rules

Annual Audits and Reporting Requirements

The FDIC proposed an amendment to the Corporation's annual independent audit and reporting requirements (Part 363 of its regulations) that would provide relief from duplicative reporting and audit committee requirements for certain sound, well-managed banks. The proposal would implement Section 314(a) of the Riegle Community Development and Regulatory Improvement Act of 1994.

Approved:	*January 31, 1995*
Published:	*February 15, 1995*

Golden Parachutes

The FDIC issued for public comment a proposed amendment to Parts 303 and 359 of its regulations that would provide guidance to insured state nonmember banks on which "golden parachute" and indemnification payments would be considered legitimate and which would be considered abusive or improper. A golden parachute typically is a large payment made by an institution to a management official who resigns just before the institution is closed or sold. The proposal would implement Section 2523 of the Comprehensive Thrift and Bank Fraud Prosecution and Taxpayer Recovery Act of 1990. Although the FDIC first issued a proposal in this area in 1991, the agency decided to seek additional public comment given the passage of time and several changes being considered in the second proposal.

Approved:	*March 21, 1995*
Published:	*March 29, 1995*

Standards for Safety and Soundness

The FDIC, joining the other federal bank and thrift regulatory agencies, issued for public comment proposed guidelines for safety and soundness relating to asset quality and earnings. If adopted as final, the proposed rule would appear as an appendix to each agency's final rule (in the FDIC's case, Part 364).

Approved:	*March 21, 1995*
Published:	*July 10, 1995*

Foreign Banks

The FDIC issued for public comment proposed amendments to Part 346 of its regulations intended to ensure that foreign banks do not receive an unfair competitive advantage over U.S. banks in domestic retail deposit-taking activities. The proposed amendments are required by Section 107 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994.

Approved:	*June 27, 1995*
Published:	*July 13, 1995*

Proposed Rules

Market Risk

The FDIC, the Federal Reserve Board and the Office of the Comptroller of the Currency jointly issued for public comment a proposed rule that would establish a risk-based capital requirement for market risk in foreign exchange, commodity activities and in the trading of debt and equity instruments. The proposed rule would amend Part 325 of the FDIC's regulations.

Approved:	*July 11, 1995*
Published:	*July 25, 1995*

Suspicious Activity Reporting

The FDIC joined the other federal financial institution regulatory agencies in proposing to amend Part 353 of its regulations regarding the reporting of known or suspected crimes. The proposal would update and clarify the reporting requirements, and implement a new referral process and a new interagency reporting form. The proposal is intended to meet the goals of Section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994.

Approved:	*September 6, 1995*
Published:	*September 14, 1995*

Loans in Areas Having Special Flood Hazards

The FDIC joined the other federal regulators of depository institutions and the Farm Credit Administration by proposing to expand current requirements for loans in areas having special flood hazards. The proposed amendments to Part 339 of the FDIC's regulations would implement the National Flood Insurance Reform Act of 1994. One provision would establish new escrow requirements for flood insurance premiums. Another provision would authorize lenders to purchase insurance on behalf of the borrower, and pass the cost along to the borrower, if the customer would not purchase the policy when requested.

Approved:	*September 26, 1995*
Published:	*October 18, 1995*

Management Official Interlocks

The four federal regulators of banks and thrifts jointly issued for public comment a proposed rule that would amend each agency's regulations relating to management official interlocks (in the FDIC's case, Part 348). With certain exceptions, the existing rules prohibit bank management officials from simultaneously serving in a similar capacity with other financial institutions. The proposed rule reflects provisions of the Riegle Community Development and Regulatory Improvement Act of 1994 that restrict the agencies' authority to permit certain interlocks.

Approved:	*December 12, 1995*
Published:	*December 29, 1995*

Proposals Withdrawn

Management Official Interlocks

The FDIC withdrew proposed amendments from February of 1994 that would have permitted certain management interlocks under Part 348 of the agency's regulations. The proposal was withdrawn because the Riegle Community Development and Regulatory Improvement Act of 1994 limited the FDIC's authority to create the exemption *(see previous item).*

Approved:	*January 31, 1995*
Published:	*February 7, 1995*

Deposit Liabilities

The FDIC withdrew a proposed amendment to Part 354 of its regulations issued in 1988 that would have expanded the definition of the term "deposit." The proposed rule was withdrawn because of an FDIC policy statement recommending that proposed rules be withdrawn if not acted upon within nine months.

Approved:	*December 19, 1995*
Published:	*December 27, 1995*

Significant Legislation Enacted

Mark S. Schmidt (right), Kansas City DOS Assistant Regional Director, was tapped in late 1995 for a temporary assignment on the staff of House Banking Committee Chairman Jim Leach (left).

Mitchell W. Crawley

While Congress enacted no major banking statutes in 1995, lawmakers approved measures addressing litigation under the Truth in Lending Act, paperwork burdens generated by government agencies, and spending for certain federal programs.

Truth In Lending

Congress enacted the Truth in Lending Act Amendments of 1995 (P.L. 104-29) in response to a 1994 court ruling based on technical violations of the Truth in Lending Act that resulted in a variety of class action lawsuits against lenders.

Key provisions clarify the calculation and disclosure of fees, such as mortgage brokerage fees. These changes are intended to give lenders more certainty about what information is to be disclosed and to provide consumers with more accurate and consistent disclosures. Other provisions raise the tolerance level for understatements of finance charges, to $100 from $10, before a penalty could be imposed. The new law also raises the statutory damages for individual violations of the act, to $2,000 from $1,000.

Paperwork Reduction

The Paperwork Reduction Act of 1995 (P.L. 104-13), enacted on May 22, 1995, reaffirms and strengthens the fundamental objective of a 1980 law intended to minimize the federal paperwork burdens imposed on the public.

The new law sets annual government-wide paperwork reduction goals and imposes significant new responsibilities on agencies to seek public comment on proposed changes in paperwork requirements and to clear new requirements through the Office of Management and Budget.

Appropriations

On July 27, 1995, Congress enacted a supplemental appropriations bill (P.L. 104-19) that rescinded $11.3 million of the $15 million previously made available for the FDIC's Affordable Housing Program under the Federal Deposit Insurance Act. No additional funding for the Affordable Housing Program was enacted during the year.

Financial Statements

Federal Deposit Insurance Corporation

Bank Insurance Fund Statements of Financial Position

Dollars in Thousands	December 31 1995	1994
Assets		
Cash and cash equivalents (Note 3)	$ 531,308	$ 1,621,456
Investment in U.S. Treasury obligations, net (Note 4)	20,762,046	12,896,856
Interest receivable on investments and other assets, net	406,804	260,702
Receivables from bank resolutions, net (Note 5)	4,143,040	8,190,492
Investment in corporate owned assets, net (Note 6)	180,293	242,628
Property and buildings, net (Note 7)	151,740	155,079
Total Assets	**$ 26,175,231**	**$ 23,367,213**
Liabilities and the Fund Balance		
Accounts payable and other liabilities	$ 192,744	$ 256,197
Liabilities incurred from bank resolutions (Note 8)	31,882	81,945
Estimated Liabilities for: (Note 9)		
Anticipated failure of insured institutions	279,000	875,000
Assistance agreements	55,941	163,164
Asset securitization guarantee	126,151	128,417
Litigation losses	35,815	14,708
Total Liabilities	**721,533**	**1,519,431**
Commitments and contingencies (Notes 14 and 15)		
Fund Balance	**25,453,698**	**21,847,782**
Total Liabilities and the Fund Balance	**$ 26,175,231**	**$ 23,367,213**

The accompanying notes are an integral part of these financial statements.

Federal Deposit Insurance Corporation

Bank Insurance Fund Statements of Income and the Fund Balance

Dollars in Thousands	For the Year Ended December 31 1995	1994
Revenue		
Assessments (Note 11)	$ 2,906,943	$ 5,590,644
Interest on U.S. Treasury investments	1,068,395	521,473
Revenue from corporate owned assets	58,585	140,821
Other revenue	55,176	214,086
Total Revenue	**4,089,099**	**6,467,024**
Expenses and Losses		
Operating expenses	470,625	423,196
Provision for insurance losses (Note 10)	(33,167)	(2,873,419)
Corporate owned asset expenses	73,599	137,632
Interest and other insurance expenses	(27,874)	53,493
Total Expenses and Losses	**483,183**	**(2,259,098)**
Net Income	**3,605,916**	**8,726,122**
Fund Balance - Beginning	**21,847,782**	**13,121,660**
Fund Balance - Ending	**$ 25,453,698**	**$ 21,847,782**

The accompanying notes are an integral part of these financial statements.

Federal Deposit Insurance Corporation

Bank Insurance Fund Statements of Cash Flows

Dollars in Thousands	For the Year Ended December 31 1995	1994
Cash Flows from Operating Activities		
Cash provided from:		
Assessments	$ 2,796,114	$ 5,709,912
Interest on U.S. Treasury investments	875,226	458,606
Recoveries from bank resolutions	5,059,751	5,336,125
Recoveries from corporate owned assets	211,691	694,401
Miscellaneous receipts	36,084	22,337
Cash used for:		
Operating expenses	(442,101)	(485,963)
Disbursements for bank resolutions	(1,596,391)	(2,791,417)
Disbursements for corporate owned assets	(159,299)	(173,601)
Miscellaneous disbursements	(23,929)	(658)
Net Cash Provided by Operating Activities (Note 17)	**6,757,146**	**8,769,742**
Cash Flows from Investing Activities		
Cash provided from:		
Maturity of U.S. Treasury obligations	3,830,000	800,000
Cash used for:		
Purchase of U.S. Treasury obligations	(11,675,925)	(8,431,525)
Net Cash Used by Investing Activities	**(7,845,925)**	**(7,631,525)**
Cash Flows from Financing Activities		
Cash used for:		
Repayments of indebtedness incurred from bank resolutions	(1,369)	0
Net Cash Used by Financing Activities	**(1,369)**	**0**
Net (Decrease) Increase in Cash and Cash Equivalents	**(1,090,148)**	**1,138,217**
Cash and Cash Equivalents - Beginning	**1,621,456**	**483,239**
Cash and Cash Equivalents - Ending	**$ 531,308**	**$ 1,621,456**

The accompanying notes are an integral part of these financial statements.

December 31, 1995 and 1994

1. Legislative History and Operations of the Bank Insurance Fund

Legislative History
The U.S. Congress created the Federal Deposit Insurance Corporation (FDIC) through enactment of the Banking Act of 1933. The FDIC was created to restore and maintain public confidence in the nation's banking system.

More recently, the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) was enacted to reform, recapitalize and consolidate the federal deposit insurance system. The FIRREA created the Bank Insurance Fund (BIF), the Savings Association Insurance Fund (SAIF) and the FSLIC Resolution Fund (FRF). It also designated the FDIC as the administrator of these three funds. All three funds are maintained separately to carry out their respective mandates.

Pursuant to FIRREA, an active institution's insurance fund membership and primary federal supervisor are generally determined by the institution's charter type. Deposits of BIF-member institutions are mostly insured by the BIF; BIF members are predominantly commercial and savings banks supervised by the FDIC, the Office of the Comptroller of the Currency, or the Federal Reserve. Deposits of SAIF-member institutions are mostly insured by the SAIF; SAIF members are predominantly thrifts supervised by the Office of Thrift Supervision (OTS). The Oakar amendment to the Federal Deposit Insurance Act (FDI Act) allows BIF and SAIF members to acquire deposits insured by the other insurance fund without changing insurance fund coverage for the acquired deposits.

The FRF is responsible for winding up the affairs of the former Federal Savings and Loan Insurance Corporation (FSLIC).

Other significant legislation includes the Omnibus Budget Reconciliation Act of 1990 (1990 OBR Act) and the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA). These acts made changes to the FDIC's assessment authority (see Note 11) and borrowing authority (see "Operations of the BIF" in a following section). The FDICIA also requires the FDIC to: 1) resolve troubled institutions in a manner that will result in the least possible cost to the deposit insurance funds; 2) provide a schedule for bringing the reserves in the insurance funds to 1.25 percent of insured deposits; and 3) upon recapitalization, maintain the insurance funds at 1.25 percent of insured deposits or a higher percentage as circumstances warrant.

Recent Legislative Proposals
Recent proposed legislation would, if signed into law, affect the BIF in the following ways: 1) BIF-members would be required to share the interest costs of Financing Corporation (FICO) debt on a proportional basis with SAIF-members; 2) if the BIF's capitalization level exceeds the designated reserve ratio (currently 1.25 percent), FDIC would be required to refund such excess up to the amount of the BIF-members' most recent semi-annual assessment; and 3) if the thrift charter is eliminated by January 1, 1998, the BIF and the SAIF would be merged on that date. There would be a separate assessment to fund the BIF-members' share of the FICO interest costs, and therefore such interest costs would not affect regular assessments or the fund balance. Legislative proposals are subject to change as part of the normal legislative process; therefore, it is uncertain what provisions the proposed law, if enacted, will ultimately include.

The FICO, established under the Competitive Equality Banking Act of 1987, is a mixed-ownership government corporation whose sole purpose was to function as a financing vehicle for the FSLIC.

Operations of the BIF
The primary purpose of the BIF is to: 1) insure the deposits and protect the depositors of BIF-insured banks and 2) finance the resolution of failed banks, including managing and liquidating their assets. In addition, the FDIC, acting on behalf of the BIF, examines state-chartered banks that are not members of the Federal Reserve System and provides and monitors assistance to troubled banks.

The BIF is primarily funded from the following sources: 1) BIF assessment premiums; 2) interest earned on investments in U.S. Treasury obligations; 3) income earned on and funds received from the management and disposition of assets acquired from failed banks; and 4) U.S. Treasury and Federal Financing Bank (FFB) borrowings, if necessary.

The 1990 OBR Act established the FDIC's authority to borrow working capital from the FFB on behalf of the BIF and the SAIF. The FDICIA increased the FDIC's authority to borrow for insurance losses from the U.S. Treasury, on behalf of the BIF and the SAIF, from $5 billion to $30 billion.

The FDICIA also established a limitation on obligations that can be incurred by the BIF known as the maximum obligation limitation (MOL). Under the MOL, the BIF cannot incur any additional obligation if its total obligations exceed the sum of: 1) the BIF's cash and cash equivalents; 2) 90 percent of the fair market value of the BIF's other assets; and 3) the total amount authorized to be borrowed from the U.S. Treasury, excluding FFB borrowings. For purposes of calculating the MOL, the FDIC's total U.S. Treasury borrowing authority was allocated between the BIF and the SAIF based on the ratio of each fund's insured deposits to total insured deposits. At December 31, 1995, the MOL for the BIF was $47 billion.

2. Summary of Significant Accounting Policies

General
These financial statements pertain to the financial position, results of operations and cash flows of the BIF and are presented in accordance with generally accepted accounting principles (GAAP). These statements do not include reporting for assets and liabilities of closed banks for which the BIF acts as receiver or liquidating agent. Periodic and final accountability reports of the BIF's activities as receiver or liquidating agent are furnished to courts, supervisory authorities and others as required.

Use of Estimates
The preparation of the BIF's financial statements in conformity with generally accepted accounting principles requires FDIC management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Where it is reasonably possible that changes in estimates will cause a material change in the financial statements in the near term, the nature and extent of such changes in estimates have been disclosed in the financial statement.

U.S. Treasury Obligations
Securities are intended to be held to maturity and are shown at book value. Book value is the face value of securities plus the unamortized premium or less the unamortized discount. Amortizations are computed on a daily basis from the date of acquisition to the date of maturity. Interest is calculated on a daily basis and recorded monthly using the effective interest method.

Allowance for Losses on Receivables from Bank Resolutions and Investment in Corporate Owned Assets
The BIF records as a receivable the amounts advanced and/or obligations incurred for assisting and closing banks. The BIF also records as an asset the amounts advanced for investment in corporate owned assets. Any related allowance for loss represents the difference between the funds advanced and/or obligations incurred and the expected repayment. The latter is based on the estimated cash recoveries from the assets of assisted or failed banks, net of all estimated liquidation costs. Estimated cash recoveries also include dividends and gains on sales from equity instruments acquired in resolution transactions.

Escrowed Funds from Resolution Transactions
In various resolution transactions, the BIF paid the acquirer the difference between failed bank liabilities assumed and assets purchased, plus or minus any premium or discount. The BIF considered the amount of the deduction for assets purchased to be funds held on behalf of the receivership (an obligation). The funds remained in escrow and accrued interest until such time as the receivership used the funds to: 1) repurchase assets under asset putback options; 2) pay preferred and secured claims; 3) pay receivership expenses; or 4) pay dividends.

The FDIC policy of holding escrowed funds was terminated during 1994. The BIF continues to pay the acquirer of the failed bank the difference between liabilities assumed and assets purchased, plus or minus any premium or discount. The BIF then pays the receivership for the assets purchased by the assuming institution, plus or minus the premium or discount paid.

Litigation Losses
The BIF accrues, as a charge to current period operations, an estimate of probable losses from litigation against the BIF in both its corporate and receivership capacities. The FDIC's Legal Division recommends these estimates on a case-by-case basis.

The litigation loss estimates related to receiverships are included in the allowance for losses for receivables from bank resolutions.

Receivership Administration
The FDIC is responsible for controlling and disposing of the assets of failed institutions in an orderly and efficient manner. The assets, and the claims against them, are accounted for separately to ensure that liquidation proceeds are distributed in accordance with applicable laws and regulations. Also, the income and expenses attributable to receiverships are accounted for as transactions of those receiverships. Liquidation expenses incurred by the BIF on behalf of the receiverships are recovered from those receiverships.

Cost Allocations Among Funds
Certain operating expenses (including personnel, administrative and other indirect expenses) not directly charged to each fund under the FDIC's management are allocated on the basis of the relative degree to which the operating expenses were incurred by the funds. The cost of furniture, fixtures and equipment purchased by the FDIC on behalf of the three funds under its administration is allocated among these funds on a pro rata basis. The BIF expenses its share of these allocated costs at the time of acquisition because of their immaterial amounts.

Postretirement Benefits Other Than Pensions
The FDIC established an entity to provide the accounting and administration of postretirement benefits on behalf of the BIF, the SAIF, the FRF and the Resolution Trust Corporation (RTC). The BIF funds its liabilities for these benefits directly to the entity.

Disclosure about Recent Financial Accounting Standards Board Pronouncements
In May 1993, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 114, "Accounting by Creditors for Impairment of a Loan," to be adopted for fiscal years beginning after December 15, 1994. While FDIC adopted SFAS No. 114, most of the BIF assets are specifically outside the scope of this pronouncement. These assets do not meet the definition of a loan within the meaning of the statement or are valued through alternative methods. Any assets subject to Statement No. 114 are immaterial either because of insignificant book value or because any potential adjustment to the carrying value as a result of applying Statement No. 114 would be immaterial.

The FASB issued SFAS No. 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures, "in October 1994, to be adopted for fiscal years beginning after December 15, 1994". This statement is an amendment to SFAS No. 114 and was adopted by the FDIC this year.

Other recent pronouncements issued by the FASB have been adopted or are either not applicable or not material to the financial statements.

Depreciation
The FDIC has designated the BIF administrator of facilities owned and used in its operations. Consequently, the BIF includes the cost of these facilities in its financial statements and provides the necessary funding for them. The BIF charges other funds sharing the facilities a rental fee representing an allocated share of its annual depreciation expense.

The Washington, D.C., office buildings and the L. William Seidman Center in Arlington, Virginia, 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.

Related Parties
The nature of related parties and a description of related party transactions are disclosed throughout the financial statements and footnotes.

Reclassifications
Reclassifications have been made in the 1994 financial statements to conform to the presentation used in 1995.

3. Cash and Cash Equivalents

The BIF considers cash equivalents to be short-term, highly liquid investments with original maturities of three months or less. In 1995, cash restrictions included $10 million for health insurance payable and $274 thousand for funds held in trust. In 1994, cash restrictions included $7.4 million for health insurance payable and $737 thousand for funds held in trust.

4. Investment in U.S. Treasury Obligations, Net

All cash received by the BIF is invested in U.S. Treasury obligations unless the cash is: 1) used to defray operating expenses; 2) used for outlays related to assistance to banks and liquidation activities; or 3) invested in cash equivalents.

U.S. Treasury Obligations at December 31, 1995

Dollars in Thousands

Maturity	Description	Yield at Purchase	Book Value	Market Value	Face Value
Less than one year (a)	U.S. Treasury notes	5.53%	$ 6,750,414	$ 6,765,086	$ 6,750,000
1-3 years	U.S. Treasury notes	5.88%	12,318,436	12,441,422	12,350,000
3-5 years	U.S. Treasury notes	5.59%	1,693,196	1,708,809	1,690,000
Total			**$ 20,762,046**	**$ 20,915,317**	**$ 20,790,000**

(a) Includes a $400 million Treasury note which matured on Sunday, December 31, 1995. Settlement occurred on the next business day, January 2, 1996.

U.S. Treasury Obligations at December 31, 1994

Dollars in Thousands

Maturity	Description	Yield at Purchase	Book Value	Market Value	Face Value
Less than one year	U.S. Treasury notes & bills	4.83%	$ 3,821,758	$ 3,775,131	$ 3,830,000
1-3 years	U.S. Treasury notes	5.37%	8,034,591	7,763,422	8,000,000
3-5 years	U.S. Treasury notes	4.72%	1,040,507	945,562	1,000,000
Total			**$ 12,896,856**	**$ 12,484,115**	**$ 12,830,000**

In 1995, the unamortized discount, net of unamortized premium, was $28 million. In 1994, the unamortized premium, net of unamortized discount, was $66.9 million.

5. Receivables from Bank Resolutions, Net

The FDIC resolution process results in different types of transactions depending on the unique facts and circumstances surrounding each failing or failed institution. Payments to prevent a failure are made to operating institutions when cost and other criteria are met. Such payments may facilitate a merger or allow a troubled institution to continue operations. Payments for institutions that fail are made to cover insured depositors' claims and represent a claim against the receiverships' assets.

The FDIC, as receiver for failed banks, engages in a variety of strategies at the time of failure to maximize the return from the sale or disposition of assets and to minimize realized losses. A failed bank acquirer can purchase selected assets at the time of resolution and assume full ownership, benefit and risk related to such assets. In certain cases, the receiver offers a period of time when an acquirer can sell assets back to the receivership at a specified value (i.e., an asset "putback" option). The receiver can also enter into a loss-sharing arrangement with an acquirer whereby, for specified assets and in accordance with individual contract terms, the two parties share in credit losses and certain qualifying expenses. These arrangements typically direct that the receiver pay to the acquirer a specified percentage of the losses triggered by the charge-off of assets covered by the terms of the loss-sharing agreement. The receiver absorbs the majority of the losses incurred and shares in the acquirer's future recoveries of previously charged-off assets. Failed bank assets also can be retained by the receiver to either be managed and disposed of by FDIC liquidation staff or by contracted private-sector servicers with oversight from the FDIC.

As stated in Note 2, the allowance for losses on receivables from bank resolutions represents the difference between amounts advanced and/or obligations incurred and the expected repayment. This is based upon the estimated cash recoveries from the management and disposition of the assets of the assisted or failed bank, net of all estimated liquidation costs.

As of December 31, 1995 and 1994, the BIF, in its receivership capacity, held assets with a book value of $10 billion and $18.3 billion, respectively. The estimated cash recoveries from the sale of these assets (excluding cash and miscellaneous receivables of $2.1 billion in 1995 and $4.2 billion in 1994) are regularly evaluated, but remain subject to uncertainties because of changing economic conditions. These factors could affect the claimants' (including the BIF's) actual recoveries from the level currently estimated.

Receivables from Bank Resolutions, Net

Dollars in Thousands	December 31 1995	1994
Assets from Open Bank Assistance:		
Redeemable preferred stock/warrants	$ 23,500	$ 993,500
Subordinated debt instruments	100,000	119,500
Notes receivable	3,222	22,037
Other open bank assistance	29,761	29,773
Deferred settlement	0	229,525
Interest receivable	1,517	1,921
Allowance for losses (Note 10)	(57,405)	(1,155,680)
	100,595	**240,576**
Receivables from Closed Banks:		
Loans and related assets	1,525,295	1,528,443
Resolution transactions	23,512,531	28,736,839
Capital instruments	25,000	25,000
Depositors' claims unpaid	10,339	13,561
Allowance for losses (Note 10)	(21,030,720)	(22,353,927)
	4,042,445	**7,949,916**
Total	**$ 4,143,040**	**$ 8,190,492**

6. Investment in Corporate Owned Assets, Net

The BIF acquires assets in certain troubled and failed bank cases by either purchasing an institution's assets outright or purchasing the assets under the terms specified in each resolution agreement. In addition, the BIF can purchase assets remaining in a receivership to facilitate termination. The majority of corporate owned assets are real estate and mortgage loans. The BIF recognizes income and expenses on these assets. Income consists primarily of the portion of collections on performing mortgages related to interest earned. Expenses are recognized for administering the management and liquidation of these assets.

Investment in Corporate Owned Assets, Net		
Dollars in Thousands	**December 31**	
	1995	**1994**
Investment in corporate owned assets	$ 939,756	$ 902,304
Allowance for losses (Note 10)	(759,463)	(659,676)
Total	**$ 180,293**	**$ 242,628**

7. Property and Buildings, Net

Dollars in Thousands	**December 31**	
	1995	**1994**
Land	$ 29,631	$ 29,631
Office buildings	151,442	151,442
Accumulated depreciation	(29,333)	(25,994)
Total	**$ 151,740**	**$ 155,079**

8. Liabilities Incurred from Bank Resolutions

The FDIC can enter into different types of resolution transactions depending on the unique facts and circumstances surrounding each failing or failed institution. The BIF can assume certain liabilities that require future payments over a specified period of time.

Liabilities Incurred from Bank Resolutions		
Dollars in Thousands	**December 31**	
	1995	**1994**
Escrowed funds from resolution transactions (Note 2)	$ 0	$54,410
Funds held in trust	274	737
Depositors' claims unpaid	10,339	13,561
Note indebtedness	0	1,389
Interest payable/other liabilities	21,269	11,848
Total	**$31,882**	**$81,945**

The BIF's liabilities of $32 million are considered current liabilities.

9. Estimated Liabilities for:

Anticipated Failure of Insured Institutions
The BIF records an estimated loss for banks that have not yet failed but have been identified by the regulatory process as likely (probable) to fail within the foreseeable future as a result of regulatory insolvency (equity less than two percent of assets). This includes banks that were solvent at year-end, but that have adverse financial trends and, absent some favorable event (such as obtaining additional capital or merging), are likely to fail in the future. The FDIC relies on this finding regarding regulatory insolvency as the determining factor in defining the existence of the "accountable event" that triggers loss recognition under GAAP.

The FDIC cannot predict the precise timing and cost of bank failures. An estimated liability and a corresponding reduction in the fund balance are recorded in the period when the liability is deemed probable and reasonably estimable. It should be noted, however, that future assessment revenues will be available to the BIF to recover some or all of these losses and that their amounts have not been reflected as a reduction in the losses.

The estimated liabilities for anticipated failure of insured institutions as of December 31, 1995 and 1994, were $279 million and $875 million, respectively. The estimated liability is derived in part from estimates of recoveries from the sale of the assets of these probable bank failures. As such, they are subject to the same uncertainties as those affecting the BIF's receivables from bank resolutions (see Note 5). This could affect the ultimate costs to the BIF from probable bank failures.

The FDIC estimates that banks with combined assets of approximately $2 billion may fail in 1996 and 1997, and the BIF has recognized a loss of $279 million for those failures considered probable. The level of bank failures during 1996 and 1997 may vary from this estimate with additional losses reasonably possible ranging up to $70 million. The further into the future projections of bank failures are made, the greater the uncertainty of banks failing and the magnitude of the loss associated with those failures. The accuracy of these estimates will largely depend on future economic conditions.

Assistance Agreements
The estimated liabilities for assistance agreements resulted from several large transactions where problem assets were purchased by an acquiring institution under an agreement that calls for the FDIC to absorb credit losses and to pay related costs for funding and asset administration plus an incentive fee.

Asset Securitization Guarantee
As part of the FDIC's efforts to maximize the return from the failed bank assets and minimize losses from bank resolutions, the FDIC entered into its first securitization transaction in August 1994. The securitization transaction was accomplished through the creation of a real estate mortgage investment conduit (REMIC), a trust, that purchases the loans to be securitized from one or more institutions for which the FDIC acts as a receiver or purchases loans owned by the Corporation. The loans in the trust are pooled and stratified and the resulting cash flow is directed into a number of different classes of pass-through certificates. The regular pass-through certificates are sold to the public through licensed brokerage houses. The largest contributing receivership retains residual pass-through certificates, which are entitled to any remaining cash flows from the trust after obligations to regular pass-through holders have been met.

To increase the likelihood of full and timely distributions of interest and principal to the holders of the regular pass-through certificates, and thus the marketability of such certificates, the BIF agreed to provide a credit enhancement through a limited guarantee to cover future credit losses with respect to the loans underlying the certificates.
The FDIC securitization involved the following structure: 1) approximately 1,800 performing commercial mortgages from nearly 200 failed banks were sold to a REMIC (FDIC REMIC Trust 1994 C-1); 2) the REMIC in turn sold approximately $759 million in 11 classes of securities backed by the commercial mortgages; and 3) the investors received a limited guarantee backed by the BIF covering credit losses and other shortfalls due to credit defaults up to a maximum of $248 million.

In exchange for backing the limited guarantee, the BIF received REMIC securities and a portion of the proceeds from the sale of the commercial mortgages. The net present value (NPV) of the assets received was priced to equal the NPV of the expected exposure under the guarantee so that the BIF neither profits nor suffers a loss as a result of the limited guarantee.

At December 31, 1995, the BIF has a liability of $126 million under the guarantee and assets of $126 million representing the REMIC securities and the portion of the mortgage sales proceeds received. At December 31, 1994, the BIF liability for the guarantee was $128 million and assets were $128 million.

Cash receipts from the REMIC securities and mortgages sales proceeds received are $12.9 million and $5.3 million at December 31, 1995 and 1994, respectively, and are reflected in the Statement of Cash Flows as "Miscellaneous receipts." Cash payments of guarantee claims are $2.1 million at December 31, 1995 and are reflected in the Statement of Cash Flows as "Miscellaneous disbursements." Income related to the REMIC securities is $183 thousand and $28 thousand at December 31, 1995 and 1994, respectively, and is presented as "Other revenue." The following chart summarizes the BIF's remaining obligation under the guarantee.

Asset Securitization Guarantee

Dollars in Thousands

	Maximum Obligation	Guarantee Claims Paid through December 31	Maximum Remaining Obligation at December 31
1995	$247,748	$2,429	$245,319
1994	$247,748	$0	$247,748

Litigation Losses

The BIF records an estimated loss for unresolved legal cases to the extent those losses are considered to be probable in occurrence and reasonably estimable in amount. In addition, the FDIC's Legal Division has determined that losses from unresolved legal cases totaling $406 million are reasonably possible. This includes $12 million in losses for the BIF in its corporate capacity and $394 million in losses for the BIF in its receivership capacity (see Note 2).

10. Analysis of Changes in Allowance for Losses and Estimated Liabilities

Provision for insurance losses includes the estimated losses for bank resolutions that occurred during the year for which an estimated loss was not established and loss adjustments for bank resolutions that occurred in prior years. It also includes an estimated loss for banks that have not yet failed but have been identified by the regulatory process as likely to fail (see Note 9). These are referred to as estimated liabilities for anticipated failure of insured institutions.

In the following charts, transfers include reclassifications from "Estimated Liabilities for: Anticipated failure of insured institutions" to "Closed banks." Terminations represent final adjustments to the estimated cost figures for those bank resolutions that were completed and the operations of the receivership ended.

Analysis of Changes in Allowance for Losses and Estimated Liabilities - 1995

Dollars in Millions	Beginning Balance 01/01/95	Provision for Insurance Losses: Current Year	Provision for Insurance Losses: Prior Years	Provision for Insurance Losses: Total	Net Cash Payments	Adjustments/ Transfers/ Terminations	Ending Balance 12/31/95
Allowance for Losses:							
Open bank assistance	$ 1,156	$ 0	$ (140)	$ (140)	$ 0	$ (959)	$ 57
Corporate owned assets	660	0	99	99	0	0	759
Closed banks	22,354	(52)	464	412	0	(1,735)	21,031
Total Allowance for Losses	**24,170**	**(52)**	**423**	**371**	**0**	**(2,694)**	**21,847**
Estimated Liabilities for:							
Anticipated failure of insured institutions	875	131	(570)	(439)	0	(157)	279
Assistance agreements guarantee	163	0	14	14	(101)	(20)	56
Asset securitization guarantee	128	0	0	0	(2)	0	126
Litigation losses	15	0	21	21	0	0	36
Total Estimated Liabilities	**1,181**	**131**	**(535)**	**(404)**	**(103)**	**(177)**	**497**
Provision for Insurance Losses		**$ 79**	**$ (112)**	**$ (33)**			

Analysis of Changes in Allowance for Losses and Estimated Liabilities - 1994

Dollars in Millions	Beginning Balance 01/01/94	Provision for Insurance Losses Current Year	Prior Years	Total	Net Cash Payments	Adjustments/ Transfers/ Terminations	Ending Balance 12/31/94
Allowance for Losses:							
Open bank assistance	$ 215	$ 0	$ (421)	$ (421)	$ 3	$ 1,359	$ 1,156
Corporate owned assets	742	0	(82)	(82)	0	0	660
Closed banks	23,191	(236)	(229)	(465)	0	(372)	22,354
Total Allowance for Losses	**24,148**	**(236)**	**(732)**	**(968)**	**3**	**987**	**24,170**
Estimated Liabilities for:							
Anticipated failure of insured institutions	2,972	406	(2,128)	(1,722)	0	(375)	875
Assistance agreements guarantee	326	0	(177)	(177)	(37)	51	163
Asset securitization guarantee	0	0	0	0	0	128	128
Litigation losses	21	0	(6)	(6)	0	0	15
Total Estimated Liabilities	**3,319**	**406**	**(2,311)**	**(1,905)**	**(37)**	**(196)**	**1,181**
Provision for Insurance Losses		**$ 170**	**$ (3,043)**	**$ (2,873)**			

11. Assessments

The 1990 OBR Act removed caps on assessment rate increases and authorized the FDIC to set assessment rates for BIF members semiannually, to be applied against a member's average assessment base. The FDICIA: 1) required the FDIC to implement a risk-based assessment system; 2) authorized the FDIC to increase assessment rates for BIF-member institutions as needed to ensure that funds are available to satisfy the BIF's obligations; and 3) authorized the FDIC to increase assessment rates more frequently than semiannually and impose emergency special assessments as necessary to ensure that funds are available to repay U.S. Treasury borrowings.

The FDIC uses a risk-based assessment system that charges higher rates to those institutions that pose greater risks to the BIF. To arrive at a risk-based assessment for a particular institution, the FDIC places each institution in one of nine risk categories using a two-step process based first on capital ratios and then on other relevant information. The FDIC's Board of Directors (Board) reviews premium rates semiannually.

The BIF reached its capitalization level of 1.25 percent, as mandated by FDICIA, at the end of May 1995 (see Note 1). Based on the recapitalization, the Board approved a reduction in assessment rates for BIF members from a range of 23 cents to 31 cents per $100 of domestic deposits to a range of 4 cents to 31 cents per $100 of domestic deposits. The Board's BIF rate decrease was approved retroactively to June 1, 1995, therefore the BIF refunded $1.5 billion in assessment overpayments in September 1995.

In November 1995, the Board approved a new assessment rate structure for the BIF. Effective January 1996, the highest-rated institutions (approximately 92 percent of the nearly 11,000 BIF-insured banks) will pay the statutory annual minimum of $2,000 for deposit insurance. Rates for all other institutions will be reduced to a range of 3 cents to 27 cents per $100 of insured deposits.

The average assessment rate is expected to decline to approximately 0.43 cents per $100 of domestic deposits, versus the current average assessment rate of 4.4 cents per $100. The projected average assessment rate would be the lowest in the more than 60-year history of federal deposit insurance for banks. The lowest average assessment rates for banks previously was 3.13 cents per $100 in both 1962 and 1963.

12. Pension Benefits, Savings Plans, Postemployment Benefits and Accrued Annual Leave

Eligible FDIC employees (i.e., all permanent and temporary employees with appointments exceeding one year) are covered by either the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). The CSRS is a defined benefit plan offset with the Social Security System in certain cases. Plan benefits are determined on the basis of years of creditable service and compensation levels. The CSRS-covered employees also can contribute to the tax-deferred Federal Thrift Savings Plan (TSP).

The FERS is a three-part plan consisting of a basic defined benefit plan that provides benefits based on years of creditable service and compensation levels, Social Security benefits and the TSP. Automatic and matching employer contributions to the TSP are provided up to specified amounts under the FERS.

Eligible FDIC employees also may participate in an FDIC-sponsored tax-deferred savings plan with matching contributions. The BIF pays its share of the employer's portion of all related costs.

Although the BIF contributes a portion of pension benefits for eligible employees, it does not account for the assets of either retirement system. The BIF also does not have actuarial data for accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported and accounted for by the U.S. Office of Personnel Management.

Due to a substantial decline in the FDIC's workload, the Corporation developed a staffing reduction program, a component of which is a voluntary separation incentive plan, or buyout. Employees eligible to participate in the buyout program were placed into two categories, depending on the immediacy of the need for staffing reduction. Participating Category I employees agreed to retirement or resignation by December 31, 1995. There are 328 Category I FDIC employees participating at an estimated cost to the BIF of $8.3 million. The cost for Category I employees is presented as "Operating expenses" in 1995. Participating Category II employees must have applied by February 7, 1996, and resign or retire no later than September 30, 1997. Consideration of all Category II applications is not complete; however, the Corporation estimates the possible cost of the buyout program for Category II employees to be about $15.8 million. The cost for Category II employees will be expensed in 1996. The buyout affects other liabilities (postretirement and accrued annual leave); however, that effect is not estimable at this time.The liability to employees for accrued annual leave is approximately $43.4 million and $40.3 million at December 31, 1995 and 1994, respectively.

Pension Benefits and Savings Plans Expenses

Dollars in Thousands	For the Year Ended December 31 1995	1994
Civil Service Retirement System	$ 9,411	$ 9,988
Federal Employee Retirement System (Basic Benefit)	36,741	32,410
FDIC Savings Plan	20,545	21,603
Federal Thrift Savings Plan	10,264	10,513
Total	**$ 76,961**	**$ 74,514**

13. Postretirement Benefits Other than Pensions

The FDIC provides certain health, dental and life insurance coverage for its eligible retirees, the retirees' beneficiaries and covered dependents. Retirees eligible for health and/or life insurance coverage are those who have qualified due to: 1) immediate enrollment upon appointment or five years of participation in the plan and 2) eligibility for an immediate annuity. Dental coverage is provided to all retirees eligible for an immediate annuity.

The FDIC is self-insured for hospital/medical, prescription drug, mental health and chemical dependency coverage. Additional risk protection was purchased from Aetna Life Insurance Company through stop-loss and fiduciary liability insurance. All claims are administered on an administrative services only basis with the hospital/medical claims administered by Aetna Life Insurance Company, the mental health and chemical dependency claims administered by OHS Foundation Health Psychcare Inc., and the prescription drug claims administered by Caremark.

The life insurance program, underwritten by Metropolitan Life Insurance Company, provides basic coverage at no cost to retirees and allows converting optional coverages to direct-pay plans. Dental care is underwritten by Connecticut General Life Insurance Company and provides coverage at no cost to retirees.

The BIF expensed $18.8 million and $23 million for net periodic postretirement benefit costs for the years ended December 31, 1995 and 1994, respectively. For measurement purposes, the FDIC assumed the following: 1) a discount rate of 6 percent; 2) an average long-term rate of return on plan assets of 5 percent; 3) an increase in health costs in 1995 of 12 percent, decreasing down to an ultimate rate in 1999 of 8 percent; and 4) an increase in dental costs for 1995 and thereafter of 8 percent. Both the assumed discount rate and health care cost rate have a significant effect on the amount of the obligation and periodic cost reported.

If the health care cost rate were increased one percent, the accumulated postretirement benefit obligation as of December 31, 1995, would have increased by 22.9 percent. The effect of this change on the aggregate of service and interest cost for 1995 would be an increase of 25.6 percent.

Net Periodic Postretirement Benefit Cost

Dollars in Thousands	For the Year Ended December 31	
	1995	**1994**
Service cost (benefits attributed to employee service during the year)	$ 22,574	$ 25,206
Interest cost on accumulated postretirement benefit obligation	14,706	14,323
Net total of other components	(3,567)	(4,881)
Return on plan assets	(14,907)	(11,651)
Total	**$ 18,806**	**$ 22,997**

As stated in Note 2, the FDIC established an entity to provide accounting and administration on behalf of the BIF, the SAIF, the FRF and the RTC. The BIF funds its liability and these funds are being managed as "plan assets."

Accumulated Postretirement Benefit Obligation and Funded Status

Dollars in Thousands	December 31	
	1995	**1994**
Retirees	$ 79,370	$ 70,944
Fully eligible active plan participants	22,401	16,831
Other active participants	182,408	234,852
Total Obligation	**284,179**	**322,627**
Less: Plan assets at fair value (a)	317,037	302,130
(Over) Under Funded Status	**(32,858)**	**20,497**
Unrecognized prior service cost	57,242	0
Unrecognized net gain	11,954	0
Postretirement Benefit Liability Recognized in the Statements of Financial Position	**$ 36,338**	**$ 20,497**

(a) Consists of U.S. Treasury investments

14. Commitments

Leases
The BIF's allocated share of FDIC's lease commitments totals $132.9 million for future years. The lease agreements contain escalation clauses resulting in adjustments, usually on an annual basis. The BIF recognized leased space expense of $42.7 million and $50.9 million for the years ended December 31, 1995 and 1994, respectively.

Leased Space Fees

Dollars in Thousands

1996	1997	1998	1999	2000	2001
$34,869	$30,604	$21,004	$17,603	$14,318	$14,516

Asset Putbacks
Upon resolution of a failed bank, the assets are placed into receivership and may be sold to an acquirer under an agreement that certain assets may be resold, or "putback," to the receivership. The values and time limits for these assets to be putback are defined within each agreement. It is possible that the BIF could be called upon to fund the purchase of any or all of the "unexpired putbacks" at any time prior to expiration. As of December 31, 1995 there are no assets that are eligible for putback.

15. Concentration of Credit Risk

The BIF is counterparty to a group of financial instruments with entities located throughout regions of the United States experiencing problems in both loans and real estate. The BIF's maximum exposure to possible accounting loss, should each counterparty to these instruments fail to perform and any underlying assets prove to be of no value, is shown as follows:

Concentration of Credit Risk at December 31, 1995

Dollars in Millions

	Southeast	Southwest	Northeast	Midwest	Central	West	Total
Receivables from bank resolutions, net	$97	$267	$2,958	$150	$13	$652	$4,137 (a)
Corporate owned assets, net	24	53	51	0	20	32	180
Total	**$121**	**$320**	**$3,009**	**$150**	**$33**	**$684**	**$4,317**

(a) The net receivable excludes $3.9 million and $2.5 million, respectively, of the SAIF's allocated share of maximum credit loss exposure from the resolutions of Southeast Bank, N.A., Miami, FL, and Olympic National Bank, Los Angeles, CA. There is no risk that the SAIF will not meet these obligations.

Insured Deposits
As of December 31, 1995, the total deposits insured by the BIF is approximately $2 trillion. This would be the accounting loss if all depository institutions fail and if any assets acquired as a result of the resolution process provide no recovery.

16. Disclosures about the Fair Value of Financial Instruments

Cash equivalents are short-term, highly liquid investments and are shown at current value. The fair market value of the investment in U.S. Treasury obligations is disclosed in Note 4 and is based on current market prices. The carrying amount of interest receivable on investments, accounts payable and liabilities incurred from bank resolutions approximates their fair market value. This is due to their short maturities or comparisons with current interest rates.

It is not practicable to estimate the fair market value of net receivables from bank resolutions. These assets are unique, not intended for sale to the private sector, and have no established market. The FDIC believes that a sale to the private sector would require indeterminate, but substantial discounts for an interested party to profit from these assets because of credit and other risks. A discount of this proportion would significantly increase the cost of bank resolutions to the BIF. Comparisons with other financial instruments do not provide a reliable measure of their fair market value. Due to these and other factors, the FDIC cannot determine an appropriate market discount rate and, thus, is unable to estimate fair market value on a discounted cash flow basis. As shown in Note 5, the carrying amount is the estimated cash recovery value which is the original amount advanced (and/or obligations incurred) net of the estimated allowance for loss.

The majority of the net investment in corporate owned assets (except real estate) is comprised of various types of financial instruments (investments, loans, accounts receivable, etc.) acquired from failed banks. As with net receivables from bank resolutions, it is not practicable to estimate fair market values. Cash recoveries are primarily from the sale of poor quality assets. They are dependent on market conditions that vary over time and can occur unpredictably over many years following resolution. Since the FDIC cannot reasonably predict the timing of these cash recoveries, it is unable to estimate fair market value on a discounted cash flow basis. As shown in Note 6, the carrying amount is the estimated cash recovery value, which is the original amount advanced (and/or obligations incurred) net of the estimated allowance for loss.

As stated in Note 9, the carrying amount of the estimated liability for anticipated failure of insured institutions is the total of estimated losses for banks that have not failed, but the regulatory process has identified as likely to fail within the foreseeable future. It does not consider discounted future cash flows. This is because the FDIC cannot predict the timing of events with reasonable accuracy. For this reason, the FDIC considers the total estimate of these losses to be the best measure of their fair market value.

17. Supplementary Information Relating to the Statements of Cash Flows

Reconciliation of Net Income to Net Cash Provided by Operating Activities

Dollars in Thousands	For the Year Ended December 31 1995	1994
Net Income	**$ 3,605,916**	**$ 8,726,122**
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Income Statement Items:		
Provision for insurance losses	(33,167)	(2,873,419)
Amortization of U.S. Treasury securities	(19,266)	43,145
Depreciation on buildings	3,339	3,339
Change in Assets and Liabilities:		
(Increase) in interest receivable on investments and other assets	(146,102)	(179,994)
Decrease in receivables from bank resolutions	3,659,128	5,916,593
(Increase) decrease in corporate owned assets	(37,452)	566,472
(Decrease) increase in accounts payable and other liabilities	(63,454)	64,366
(Decrease) in liabilities incurred from bank resolutions	(48,694)	(3,263,790)
(Decrease) in estimated liability for anticipated failure of insured institutions	(157,000)	(375,000)
(Decrease) increase in estimated liabilities for assistance agreements	(4,048)	13,479
(Decrease) increase in estimated liability for asset securitization guarantee	(2,054)	128,429
Net Cash Provided by Operating Activities	**$ 6,757,146**	**$ 8,769,742**

Federal Deposit Insurance Corporation

Savings Association Insurance Fund Statements of Financial Position

Dollars in Thousands	December 31 1995	1994
Assets		
Cash and cash equivalents, including restricted amounts of $12,640 for 1995 and $19,004 for 1994 (Note 3)	$ 911,810	$ 80,200
Investment in U.S. Treasury obligations, net (Note 4)	2,832,919	2,422,230
Entrance and exit fees receivable, net (Note 5)	8,821	35,692
Interest receivable on investments and other assets	48,634	38,863
Receivables from thrift resolutions, net	51	6,892
Total Assets	**$ 3,802,235**	**$2,583,877**
Liabilities and the Fund Balance		
Accounts payable and other liabilities	$ 117,628	$ 12,429
Estimated liability for anticipated failure of		
insured institutions (Note 6)	111,000	432,000
Total Liabilities	**228,628**	**444,429**
Commitments and contingencies (Notes 10 and 11)		
SAIF-Member Exit Fees and Investment Proceeds Held in Escrow (Note 5)	**215,760**	**202,733**
Fund Balance	**3,357,847**	**1,936,715**
Total Liabilities and the Fund Balance	**$ 3,802,235**	**$ 2,583,877**

The accompanying notes are an integral part of these financial statements.

Federal Deposit Insurance Corporation

Savings Association Insurance Fund Statements of Income and the Fund Balance

Dollars in Thousands	For the Year Ended December 31 1995	1994
Revenue		
Assessments (Note 7)	$ 970,027	$ 1,132,102
Interest on U.S. Treasury investments	169,101	82,942
Entrance fees (Note 5)	11	32
Other revenue	777	213
Total Revenue	**1,139,916**	**1,215,289**
Expenses and Losses		
Operating expenses	39,784	20,303
Provision for insurance losses	(321,000)	414,000
Total Expenses and Losses	**(281,216)**	**434,303**
Net Income	**1,421,132**	**780,986**
Fund Balance - Beginning	**1,936,715**	**1,155,729**
Fund Balance - Ending	**$ 3,357,847**	**$ 1,936,715**

The accompanying notes are an integral part of these financial statements.

Federal Deposit Insurance Corporation

Savings Association Insurance Fund Statements of Cash Flows

Dollars in Thousands	For the Year Ended December 31	
	1995	1994
Cash Flows from Operating Activities		
Cash provided from:		
Assessments	$ 1,060,829	$ 1,132,914
Interest on U.S. Treasury investments	152,622	61,085
Interest on exit fees	8,449	6,984
Entrance and exit fee collections (Note 5)	29,757	31,144
Recoveries from "Oakar" bank resolutions	0	1,469
Recoveries from thrift resolutions	17,149	169,919
Miscellaneous receipts	437	602
Cash used for:		
Operating expenses	(18,487)	(14,581)
Reimbursement to the FSLIC Resolution Fund for thrift resolutions	(15,881)	(166,958)
Disbursements for thrift resolutions	(1,142)	(1,864)
Miscellaneous disbursements	1	0
Net Cash Provided by Operating Activities (Note 13)	**1,233,734**	**1,220,714**
Cash Flows from Investing Activities		
Cash provided from:		
Maturity and sale of U.S. Treasury obligations	1,385,000	220,420
Cash used for:		
Purchase of U.S. Treasury obligations	(1,787,124)	(1,376,669)
Net Cash Used by Investing Activities	**(402,124)**	**(1,156,249)**
Net Increase in Cash and Cash Equivalents	**831,610**	**64,465**
Cash and Cash Equivalents - Beginning	**80,200**	**15,735**
Cash and Cash Equivalents - Ending	**$ 911,810**	**$ 80,200**

The accompanying notes are an integral part of these financial statements.

1. Legislative History and Operations of the Savings Association Insurance Fund

Legislative History
The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) was enacted to reform, recapitalize and consolidate the federal deposit insurance system. The FIRREA created the Savings Association Insurance Fund (SAIF), the Bank Insurance Fund (BIF) and the FSLIC Resolution Fund (FRF). It also designated the Federal Deposit Insurance Corporation (FDIC) as the administrator of these three funds. All three funds are maintained separately to carry out their respective mandates.

Pursuant to FIRREA, an active institution's insurance fund membership and primary federal supervisor are generally determined by the institution's charter type. Deposits of SAIF-member institutions are mostly insured by the SAIF; SAIF members are predominantly thrifts supervised by the Office of Thrift Supervision (OTS). Deposits of BIF-member institutions are mostly insured by the BIF; BIF members are predominantly commercial and savings banks supervised by the FDIC, the Office of the Comptroller of the Currency, or the Federal Reserve. The FRF is responsible for winding up the affairs of the former Federal Savings and Loan Insurance Corporation (FSLIC).

The FIRREA also created the Resolution Trust Corporation (RTC), which managed and resolved all thrifts previously insured by the FSLIC for which a conservator or receiver was appointed during the period January 1, 1989, through August 8, 1992. The Resolution Trust Corporation Refinancing, Restructuring and Improvement Act of 1991 (1991 RTC Act) extended the RTC's general resolution responsibility through September 30, 1993, and beyond that date for those institutions previously placed under RTC control.

The Resolution Trust Corporation Completion Act of 1993 (1993 RTC Act) enacted December 17, 1993, extended the RTC's general resolution responsibility through a date between January 1, 1995, and July 1, 1995. Resolution responsibility transferred from the RTC to the SAIF on July 1, 1995.

The Financing Corporation (FICO), established under the Competitive Equality Banking Act of 1987, is a mixed-ownership government corporation whose sole purpose was to function as a financing vehicle for the FSLIC. Effective December 12, 1991, as provided by the 1991 RTC Act, the FICO's ability to serve as a financing vehicle for new debt was terminated. Assessments paid on SAIF-insured deposits (excluding BIF-member "Oakar" and "Sasser" banks) are subject to draws by FICO for payment of interest on their outstanding debt through maturity of this debt in 2019. "Sasser" banks are SAIF members that converted to a state bank charter in accordance with Section 5(d)(2)(G) of the Federal Deposit Insurance Act (FDI Act). "Oakar" banks are described in a following section, "Operations of the SAIF".

Other significant legislation includes the Omnibus Budget Reconciliation Act of 1990 (1990 OBR Act) and the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA). These acts made changes to the FDIC's assessment authority (see Note 7) and borrowing authority (see "Operations of the SAIF"). The FDICIA also requires the FDIC to: 1) resolve troubled institutions in a manner that will result in the least possible cost to the deposit insurance funds; 2) to build the reserves in the insurance funds to 1.25 percent of insured deposits; and 3) upon recapitalization, maintain the insurance funds at 1.25 percent of insured deposits or a higher percentage as circumstances warrant.

Recent Legislative Proposals
Recent proposed legislation would, if signed into law, affect the SAIF in the following ways: 1) there would be a one-time special assessment on SAIF-assessable deposits to capitalize the SAIF at the designated reserve ratio of 1.25 percent; 2) BIF-members would be required to share the interest costs of Financing Corporation (FICO) debt on a proportional basis with SAIF-members; and 3) if the thrift charter is eliminated by January 1, 1998, the BIF and the SAIF would be merged on that date. There would be a separate assessment to fund the SAIF-members' share of the FICO interest costs,

and therefore such interest costs would no longer affect regular assessments or the fund balance. Legislative proposals are subject to change as part of the normal legislative process; therefore, it is uncertain what provisions the proposed law, if enacted, will ultimately include.

Operations of the SAIF
The primary purpose of the SAIF is to insure the deposits and to protect the depositors of SAIF-insured institutions. In this capacity, the SAIF has financial responsibility for: 1) all SAIF-insured deposits held by SAIF-member institutions, and 2) all SAIF-insured deposits held by BIF-member "Oakar" banks.

The "Oakar" bank provisions are found in Section 5 (d) (3) of the FDI Act. The provisions allow, with approval of the appropriate federal regulatory authority, any insured depository institution to merge, consolidate or transfer the assets and liabilities of an acquired institution without changing insurance coverage for the acquired deposits. Such acquired deposits continue to be either SAIF-insured deposits and assessed at the SAIF assessment rate or BIF-insured deposits and assessed at the BIF assessment rate. In addition, any losses resulting from the failure of these institutions are to be allocated between the BIF and the SAIF based on the respective dollar amounts of the institution's BIF-insured and SAIF-insured deposits.

The SAIF is funded from the following sources: 1) SAIF assessments from BIF-member "Oakar" banks; 2) other SAIF assessments that are not required for the FICO, including assessments from "Sasser" banks; 3) interest earned on unrestricted investments in U.S. Treasury obligations; 4) U.S. Treasury payments not to exceed $8 billion for losses for fiscal years 1994 through 1998 contingent upon appropriations from the U.S. Treasury; 5) U.S. Treasury payments from unused appropriations to the RTC for losses for two years after the date the RTC is terminated (December 31, 1995); and borrowings from 6) Federal Home Loan Banks; and 7) U.S. Treasury and Federal Financing Bank (FFB).

The 1993 RTC Act places significant restrictions on funding from sources 4) and 5) above. Among other restrictions, before appropriated funds from either source are used, the FDIC must certify to Congress that: 1) SAIF-insured institutions are unable to pay premiums sufficient to cover insurance losses or to repay amounts borrowed from the U.S. Treasury without adversely affecting their ability to raise and maintain capital or to maintain the assessment base and 2) an increase in premiums could reasonably be expected to result in greater losses to the government.

The 1990 OBR Act established the FDIC's authority to borrow working capital from the FFB on behalf of the BIF and the SAIF. FDICIA increased the FDIC's authority to borrow for insurance losses from the U.S. Treasury, on behalf of the BIF and the SAIF, from $5 billion to $30 billion.

The FDICIA also established a limitation on obligations that can be incurred by the SAIF, known as the maximum obligation limitation (MOL). Under the MOL, the SAIF cannot incur any additional obligations if its total obligations exceed the sum of: 1) the SAIF's cash and cash equivalents; 2) 90 percent of the fair-market value of the SAIF's other assets; and 3) the total amount authorized to be borrowed from the U.S. Treasury, excluding FFB borrowings. For purposes of calculating the MOL, the FDIC's total U.S. Treasury borrowing authority was allocated between the BIF and the SAIF based on the ratio of each fund's insured deposits to total insured deposits. At December 31, 1995, the MOL for the SAIF was $11.7 billion.

2. Summary of Significant Accounting Policies

General
These financial statements pertain to the financial position, results of operations and cash flows of the SAIF and are presented in accordance with generally accepted accounting principles (GAAP). These statements do not include reporting for assets and liabilities of closed thrifts for which the SAIF acts as receiver or liquidating agent. Periodic and final accountability reports of the SAIF's activities as receiver or liquidating agent are furnished to courts, supervisory authorities and others as required.

Use of Estimates
The preparation of the SAIF's financial statements in conformity with generally accepted accounting principles requires FDIC management to make

estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Where it is reasonably possible that changes in estimates will cause a material change in the financial statements in the near term, the nature and extent of such changes in estimates have been disclosed in the financial statements.

U.S. Treasury Obligations
Securities are intended to be held to maturity and are shown at book value. Book value is the face value of securities plus the unamortized premium or less the unamortized discount. Amortizations are computed on a daily basis from the date of acquisition to the date of maturity. Interest is calculated on a daily basis and recorded monthly using the effective interest method.

Litigation Losses
The SAIF accrues, as a charge to current period operations, an estimate of probable losses from litigation against the SAIF in both its corporate and receivership capacities. The FDIC's Legal Division recommends these estimates on a case-by-case basis. The litigation loss estimates related to receiverships would be included in the allowance for losses for receivables from thrift resolutions.

Receivership Administration
The FDIC is responsible for controlling and disposing of the assets of failed thrift institutions placed in SAIF receivership in an orderly and efficient manner. The assets, and the claims against them, are accounted for separately to ensure that liquidation proceeds are distributed in accordance with applicable laws and regulations. Liquidation expenses incurred by the SAIF on behalf of its receivership are recovered from the receivership.

Cost Allocations Among Funds
Certain operating expenses (including personnel, administrative and other indirect expenses) not directly charged to each fund under the FDIC's management are allocated on the basis of the relative degree to which the operating expenses were incurred by the funds.

The FDIC includes the cost of facilities used in operations in the BIF's financial statements. The BIF charges the SAIF a rental fee representing an allocated share of its annual depreciation. The cost of furniture, fixtures and equipment purchased by the FDIC on behalf of the three funds under its administration is allocated among these funds on a pro rata basis. The SAIF expenses its share of these allocated costs at the time of acquisition because of their immaterial amounts.

Postretirement Benefits Other Than Pensions The FDIC established an entity to provide the accounting and administration of postretirement benefits on behalf of the SAIF, the BIF, the FRF and the RTC. The SAIF funds its liabilities for these benefits directly to the entity.

Disclosure about Recent Financial Accounting Standards Board Pronouncements
In May 1993, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 114, "Accounting by Creditors for Impairment of a Loan," to be adopted for fiscal years beginning after December 15, 1994. While FDIC adopted SFAS No. 114, most of the SAIF assets are specifically outside the scope of this pronouncement. These assets do not meet the definition of a loan within the meaning of the statement or are valued through alternative methods. Any assets subject to Statement No. 114 are immaterial either because of insignificant book value or because any potential adjustment to the carrying value as a result of applying Statement No. 114 would be immaterial.

The FASB issued SFAS No. 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures," in October 1994, to be adopted for fiscal years beginning after December 15, 1994". This statement is an amendment to SFAS No. 114 and was adopted by the FDIC this year.

Other recent pronouncements issued by the FASB have been adopted or are either not applicable or not material to the financial statements.

Related Parties
The nature of related parties and descriptions of related party transactions are disclosed throughout the financial statements and footnotes.

Reclassifications
Reclassifications have been made in the 1994 financial statements to conform to the presentation used in 1995.

3. Cash and Cash Equivalents

The SAIF considers cash equivalents to be short-term, highly liquid investments with original maturities of three months or less. Substantially, all the restricted cash is comprised of the SAIF exit fees collected plus interest earned on exit fees. These funds have been restricted to meet any potential obligation of the SAIF to the FICO (see Note 5). In 1995, cash restrictions included $190 thousand for health insurance payable and $12.5 million for exit fee and related interest collections. In 1994, cash restrictions included $148 thousand for health insurance payable and $18.9 million for exit fee and related interest collections.

4. Investment in U.S. Treasury Obligations, Net

All cash received by the SAIF is invested in U.S. Treasury obligations unless the cash is: 1) to defray operating expenses; 2) used for outlays related to liquidation activities; or 3) invested in cash or cash equivalents. In 1995, $190 million was restricted for exit fee and related interest collections invested in U.S. Treasury notes. In 1994, $145 million was restricted for exit fee and related interest collections invested in U.S. Treasury notes.

During 1994, the SAIF sold debt securities classified as held-to-maturity. The book value of the securities sold was $170 million and realized loss was $289 thousand. The sale was compelled by the need to transfer to the FRF funds that were retained by the SAIF in error and subsequently invested. This was an isolated, non-recurring and unusual event that could not have been reasonably anticipated.

U.S. Treasury Obligations at December 31, 1995

Dollars in Thousands

Maturity	Description	Yield at Purchase	Book Value	Market Value	Face Value
Less than one year	U.S. Treasury notes	5.8%	$1,785,035	$1,791,208	$ 1,785,000
1-3 years	U.S. Treasury notes	5.7%	588,968	594,712	590,000
3-5 years	U.S. Treasury notes	5.4%	458,916	460,500	450,000
Total			**$2,832,919**	**$2,846,420**	**$ 2,825,000**

U.S. Treasury Obligations at December 31, 1994

Dollars in Thousands

Maturity	Description	Yield at Purchase	Book Value	Market Value	Face Value
Less than one year	U.S. Treasury notes	4.4%	$1,380,705	$1,366,503	$ 1,385,000
1-3 years	U.S. Treasury notes	5.8%	1,041,525	1,017,402	1,045,000
Total			**$2,422,230**	**$2,383,905**	**$ 2,430,000**

In 1995, the unamortized premium, net of unamortized discount, was $7.9 million. In 1994, the unamortized discount, net of unamortized premium, was $7.8 million.

5. Entrance and Exit Fees Receivable, Net

The SAIF receives entrance and exit fees for conversion transactions when an insured depository institution converts from the BIF to the SAIF (resulting in an entrance fee) or from the SAIF to the BIF (resulting in an exit fee). Regulations approved by the FDIC's Board of Directors and published in the *Federal Register* on March 21, 1990, directed that exit fees paid to the SAIF be held in escrow. The FDIC and the Secretary of the Treasury will determine when it is no longer necessary to escrow such funds for the payment of interest on obligations previously issued by the FICO. These escrowed exit fees are invested in U.S. Treasury securities pending determination of ownership. The interest earned is also held in escrow. Interest on these investments was $9.1 million and $6.5 million for 1995 and 1994, respectively.

The SAIF records entrance fees as revenue after a BIF-to-SAIF conversion transaction. However, due to the requirement that the SAIF exit fees be held in an escrow account, the SAIF does not recognize exit fees or related interest earned as revenue. Instead, the SAIF recognizes a SAIF-to-BIF conversion transaction by establishing a receivable from the institution and a corresponding escrow account entry to recognize the potential payment to the FICO. As exit fee proceeds are received, the receivable is reduced while the escrow remains pending the determination of funding requirements for interest payments on the FICO's obligations.

Within specified parameters, the regulations allow an institution to pay its entrance/exit fees interest free, in equal annual installments over a maximum period of not more than five years. When an institution elects such a payment plan, the SAIF records the entrance or exit fee receivable at its present value. The discount rate used to determine the present value of the funds for 1995 and 1994 was three percent.

Entrance and Exit Fees Receivable, Net - 1995

Dollars in Thousands

	Beginning Balance 01/01/95	New Receivables	Collections	Net Change Unamortized Discount	Ending Balance 12/31/95
Entrance fees	$ 6	$ 11	$ (6)	$ 0	$ 11
Exit fees	35,686	1,117	(29,751)	1,758	8,810
Total	**$ 35,692**	**$ 1,128**	**$ (29,757)**	**$ 1,758**	**$ 8,821**

Entrance and Exit Fees Receivable, Net - 1994

Dollars in Thousands

	Beginning Balance 01/01/94	New Receivables	Collections	Net Change Unamortized Discount	Ending Balance 12/31/94
Entrance fees	$ 3	$ 32	$ (29)	$ 0	$ 6
Exit fees	60,652	998	(31,115)	5,151	35,686
Total	**$ 60,655**	**$ 1,030**	**$ (31,144)**	**$ 5,151**	**$ 35,692**

6. Estimated Liabilities for:

Anticipated Failure of Insured Institutions
The SAIF records an estimated loss for thrifts as well as "Oakar" and "Sasser" banks that have not yet failed but have been identified by the regulatory process as likely (probable) to fail within the foreseeable future as a result of regulatory insolvency (equity less than two percent of assets). This includes institutions that were solvent at year-

end, but that have adverse financial trends and, absent some favorable event (such as obtaining additional capital or merging), are likely to fail in the future. The FDIC relies on this finding regarding regulatory insolvency as the determining factor in defining the existence of the "accountable event" that triggers loss recognition under GAAP.

The FDIC cannot predict the precise timing and cost of failures. An estimated liability and a corresponding reduction in the fund balance are recorded in the period when the liability is deemed probable and reasonably estimable. It should be noted, however, that future assessment revenues will be available to the SAIF to recover some or all of these losses and that these amounts have not been reflected as a reduction in the losses.

The estimated liabilities for anticipated failure of insured institutions as of December 31, 1995 and 1994 were $111 million and $432 million, respectively. The estimated liability is derived in part from estimates of recoveries from the sale of the assets of these probable thrift failures. These estimates are regularly re-evaluated in light of changing economic conditions, but because the amount of recoveries is uncertain, the ultimate costs to the SAIF from thrift failures could be affected. The FDIC estimates that thrifts with combined assets of approximately $2 billion may fail in 1996 and 1997, and the SAIF has recognized a loss of $111 million for those failures considered probable. The level of thrift failures during 1996 and 1997 may vary from this estimate with additional losses reasonably possible ranging up to $160 million. The further into the future projections of thrift failures are made, the greater the uncertainty of thrifts failing and the magnitude of the loss associated with those failures. The accuracy of these estimates will largely depend on future economic conditions, particularly in the real estate markets and the level of future interest rates.

Litigation Losses

The SAIF records an estimated loss for unresolved legal cases to the extent those losses are considered to be probable in occurrence and reasonably estimable in amount. In addition, the FDIC's Legal Division has determined that losses from unresolved legal cases totaling $11 million are reasonably possible.

7. Assessments

The 1990 OBR Act removed caps on assessment rate increases and authorized the FDIC to set assessment rates for SAIF members semiannually, to be applied against a member's average assessment base. The FDICIA: 1) required the FDIC to implement a risk-based assessment system; 2) authorized the FDIC to increase assessment rates for SAIF-member institutions as needed to ensure that funds are available to satisfy the SAIF's obligations; and 3) authorized FDIC to increase assessment rates more frequently than semiannually and impose emergency special assessments as necessary to ensure that funds are available to repay U.S. Treasury borrowings.

The FDIC uses a risk-based assessment system that charges higher rates to those institutions that pose greater risks to the SAIF. To arrive at a risk-based assessment for a particular institution, the FDIC places each institution in one of nine risk categories using a two-step process based first on capital ratios and then on other relevant information. The FDIC's Board of Directors reviews premium rates semiannually.

The FICO has priority over the SAIF for receiving and utilizing SAIF assessments to ensure availability of funds for interest on FICO's debt obligations. Accordingly, the SAIF recognized as assessment revenue only that portion of SAIF assessments not required by the FICO. Assessments on the SAIF-insured deposits held by BIF-member "Oakar" or SAIF-member "Sasser" institutions are not subject to draws by FICO and, thus, are retained in SAIF in their entirety.

Since 1993, each thrift has paid an assessment rate of between 23 and 31 cents per $100 of domestic deposits, depending on risk classification. For calendar year 1995, the assessment rate averaged approximately 23.2 cents per $100 of domestic deposits. As of December 31, 1995, the SAIF's reserve ratio is .47 percent of insured deposits.

Secondary Reserve Offset

The FIRREA authorized insured thrifts to offset against any assessment premiums their pro rata share of amounts that previously were part of the

FSLIC's "Secondary Reserve." The Secondary Reserve represented premium prepayments that insured thrifts were required by law to deposit with the FSLIC during the period 1961 through 1973 to quickly increase the FSLIC's insurance reserves to absorb losses if the regular assessments were insufficient.

The Secondary Reserve offset reduces the gross SAIF-member assessments due from certain institutions, thereby reducing the assessment premiums available to the FICO and the SAIF. In 1994, the SAIF paid $11 million in refunds to institutions due secondary reserve credits that had previously been acquired through an unassisted merger. The remaining Secondary Reserve credit is $399 thousand and $427 thousand for 1995 and 1994, respectively.

SAIF Assessments

Dollars in Thousands	**For the Year Ended December 31**	
	1995	**1994**
SAIF assessments from thrifts	$ 1,184,097	$ 1,301,499
Less: Secondary Reserve offset/refunds	(13,170)	(14,318)
FICO assessment (a)	(717,909)	(596,000)
Plus: Assessment receivables outstanding	(70)	1,453
Less: Prepaid assessments	(26,832)	(2,265)
SAIF-Member Assessments Earned, (Net)	**426,116**	**690,369**
SAIF assessments from "Sasser" banks	121,209	99,895
SAIF assessments from BIF-member "Oakar" banks	422,702	341,838
Total Assessment Revenue	**$ 970,027**	**$ 1,132,102**

(a) FICO payments were reduced by $69 million and $185 million in 1995 and 1994, respectively, because of cash held by FICO.

8. Pension Benefits, Savings Plans, Postemployment Benefits and Accrued Annual Leave

Eligible FDIC employees (i.e., all permanent and temporary employees with appointments exceeding one year) are covered by either the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). The CSRS is a defined benefit plan offset with the Social Security System in certain cases. Plan benefits are determined on the basis of years of creditable service and compensation levels. The CSRS-covered employees also can contribute to the tax-deferred Federal Thrift Savings Plan (TSP).

The FERS is a three-part plan consisting of a basic defined benefit plan that provides benefits based on years of creditable service and compensation levels, Social Security benefits and the TSP. Automatic and matching employer contributions to the TSP are provided up to specified amounts under the FERS.

Eligible FDIC employees also may participate in an FDIC-sponsored tax-deferred savings plan with matching contributions. The SAIF pays its share of the employer's portion of all related costs.

Although the SAIF contributes a portion of pension benefits for eligible employees, it does not account for the assets of either retirement system. The SAIF also does not have actuarial data for accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported and accounted for by the U.S. Office of Personnel Management.

Due to a substantial decline in the FDIC's workload, the Corporation developed a staffing reduction program, a component of which is a voluntary separation incentive plan, or buyout. Employees eligible to participate in the buyout program were placed into two categories, depending on the immediacy of the need for staffing reduction. Participating Category I employees agreed to retirement or resignation by December 31, 1995. There are 328 Category I FDIC employees participating at an estimated cost to the SAIF of $3.1 million. The cost for Category I employees is presented as "Operating expenses" in 1995. Participating Category II employees must have applied by February 7, 1996, and resign or retire no later than September 30, 1997. Consideration of all Category II applications is not complete; however, the FDIC estimates the possible cost of the buyout program for Category II employees to be about $5.8 million. The cost for Category II employees will be expensed in 1996. The buyout affects other liabilities (postretirement and accrued annual leave); however, that effect is not estimable at this time.

The liability to employees for accrued annual leave is approximately $757 thousand and $685 thousand at December 31, 1995 and 1994, respectively.

Pension Benefits and Savings Plans Expenses

Dollars in Thousands	**For the Year Ended December 31**	
	1995	**1994**
Civil Service Retirement System	$ 549	$ 329
Federal Employee Retirement System (Basic Benefit)	1,394	663
FDIC Savings Plan	895	436
Federal Thrift Savings Plan	486	202
Total	**$ 3,324**	**$ 1,630**

9. Postretirement Benefits Other than Pensions

The FDIC provides certain health, dental and life insurance coverage for its eligible retirees, the retirees' beneficiaries and covered dependents. Retirees eligible for health and/or life insurance coverage are those who have qualified due to: 1) immediate enrollment upon appointment or five years of participation in the plan and 2) eligibility for an immediate annuity. Dental coverage is provided to all retirees eligible for an immediate annuity.

The FDIC is self-insured for hospital/medical, prescription drug, mental health and chemical dependency coverage. Additional risk protection was purchased from Aetna Life Insurance Company through stop-loss and fiduciary liability insurance. All claims are administered on an administrative services only basis with the hospital/medical claims administered by Aetna Life Insurance Company, the mental health and chemical dependency claims administered by OHS Foundation Health Psychcare Inc., and the prescription drug claims administered by Caremark.

The life insurance program, underwritten by Metropolitan Life Insurance Company, provides basic coverage at no cost to retirees and allows converting optional coverages to direct-pay plans. Dental care is underwritten by Connecticut General Life Insurance Company and provides coverage at no cost to retirees.

The SAIF expensed $226 thousand and $586 thousand for net periodic postretirement benefit costs for the years ended December 31, 1995 and 1994, respectively. For measurement purposes, the FDIC assumed the following: 1) a discount rate of 6 percent; 2) an average long-term rate of return on plan assets of 5 percent; 3) an increase in health costs in 1995 of 12 percent, decreasing down to an ultimate rate in 1999 of 8 percent; and 4) an increase in dental costs in 1995 and thereafter of 8 percent. Both the assumed discount rate and health care cost rate have a significant effect on the amount of the obligation and periodic cost reported.

If the health care cost rate were increased one percent, the accumulated postretirement benefit obligation as of December 31, 1995, would have increased by 22.9 percent. The effect of this change on the aggregate of service and interest cost for 1995 would be an increase of 25.6 percent.

Net Periodic Postretirement Benefit Cost		
Dollars in Thousands	**For the Year Ended December 31**	
	1995	**1994**
Service cost (benefits attributed to employee service during the year)	$ 431	$ 664
Interest cost on accumulated postretirement benefit obligation	281	378
Net total of other components	(68)	(129)
Return on plan assets	(418)	(327)
Total	**$ 226**	**$ 586**

As stated in Note 2, the FDIC established an entity to provide accounting and administration on behalf of the SAIF, the BIF, the FRF and the RTC. The SAIF funds its liability and these funds are being managed as "plan assets."

Accumulated Postretirement Benefit Obligation and Funded Status		
Dollars in Thousands	**December 31**	
	1995	**1994**
Retirees	$ 2,230	$ 1,979
Fully eligible active plan participants	629	470
Other active participants	5,124	6,552
Total Obligation	**7,983**	**9,001**
Less: Plan assets at fair value (a)	8,904	8,486
(Over) Under Funded Status	**(921)**	**515**
Unrecognized prior service cost	1,305	0
Unrecognized net gain	273	0
Postretirement Benefit Liability Recognized in the Statements of Financial Position	**$ 657**	**$ 515**

(a) Consists of U.S. Treasury investments

10. Commitments

The SAIF's allocated share of FDIC lease commitments totals $2.6 million for future years. The lease agreements contain escalation clauses resulting in adjustments, usually on an annual basis. The SAIF recognized leased space expense of $1.6 million and $1.1 million for the years ended December 31, 1995 and 1994, respectively.

Leased Space Fees

Dollars in Thousands

1996	**1997**	**1998**	**1999**	**2000**	**2001**
$660	$595	$408	$329	$298	$306

11. Concentration of Credit Risk

The SAIF is counterparty to financial instruments with entities located in two regions of the United States experiencing problems in both loans and real estate. The SAIF's maximum exposure to possible accounting loss for these instruments is $3.9 million for Southeast Bank, N.A., Miami, Florida, and $2.5 million for Olympic National Bank, Los Angeles, California.

Insured Deposits
As of December 31, 1995, the total deposits insured by the SAIF is approximately $711 billion. This would be the accounting loss if all the depository institutions fail and if any assets acquired as a result of the resolution process provide no recovery.

12. Disclosures about the Fair Value of Financial Instruments

Cash equivalents are short-term, highly liquid investments and are shown at current value. The fair market value of the investment in U.S. Treasury obligations is disclosed in Note 4 and is based on current market prices. The carrying amount of interest receivable on investments, short-term receivables, and accounts payable and other liabilities approximates their fair market value. This is due to their short maturities or comparison with current interest rates. As explained in Note 5, entrance and exit fees receivable are net of discounts calculated using an interest rate comparable to U.S. Treasury Bill or Government bond/note rates at the time the receivables are accrued.

It is not practicable to estimate the fair market value of net receivables from thrift resolutions. These assets are unique, not intended for sale to the private sector and have no established market. The FDIC believes that a sale to the private sector would require indeterminate, but substantial discounts for an interested party to profit from these assets because of credit and other risks. A discount of this proportion would significantly increase the cost of resolutions to the SAIF. Comparisons with other financial instruments do not provide a reliable measure of their fair market value. Due to these and other factors, the FDIC cannot determine an appropriate market discount rate and, thus, is unable to estimate fair market value on a discounted cash flow basis.

As stated in Note 6, the carrying amount of the estimated liability for anticipated failure of insured institutions is the total of estimated losses for thrifts as well as "Oakar" and "Sasser" banks that have not failed, but the regulatory process has identified as likely to fail within the foreseeable future. It does not consider discounted future cash flows. This is because the FDIC cannot predict the timing of events with reasonable accuracy. For this reason, the FDIC considers the total estimate of these losses to be the best measure of their fair market value.

13. Supplementary Information Relating to the Statements of Cash Flows

Reconciliation of Net Income to Net Cash Provided by Operating Activities

Dollars in Thousands	For the Year Ended December 31 1995		For the Year Ended December 31 1994
Net Income	**$ 1,421,132**		**$ 780,986**
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
Income Statement Items:			
Provision for insurance losses	(321,000)		414,000
Amortization of U.S. Treasury securities (unrestricted)	(8,114)		(2,646)
Loss on sale of U.S. Treasury securities	0		289
Change in Assets and Liabilities:			
(Increase) in amortization of U.S. Treasury securities (restricted)	(450)		(17)
Decrease in entrance and exit fees receivable	26,871		24,963
(Increase) in interest receivable on investments and other assets	(9,771)		(10,824)
Decrease in receivables from thrift resolutions	6,841		168,056
Increase (Decrease) in accounts payable and other liabilities	105,198	(a)	(166,953)
(Decrease) in liabilities incurred from thrift resolutions	0		(932)
Increase in exit fees and investment proceeds held in escrow	13,027		13,792
Net Cash Provided by Operating Activities	**$ 1,233,734**		**$ 1,220,714**

(a) SAIF Transferred $169 million to the FRF

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Statements of Financial Position

Dollars in Thousands	December 31 1995	1994
Assets		
Cash and cash equivalents (Note 3)	$ 274,973	$ 1,278,548
Receivables from thrift resolutions, net (Note 4)	370,443	1,054,107
Investment in corporate owned assets, net (Note 5)	504,341	370,177
Other assets, net (Note 6)	4,620	20,003
Total Assets	**$ 1,154,377**	**$ 2,722,835**
Liabilities		
Accounts payable and other liabilities	$ 11,045	$ 13,262
Liabilities incurred from thrift resolutions (Note 7)	238,387	2,164,438
Estimated Liabilities for: (Note 8)		
Assistance agreements	81,340	277,577
Litigation losses	27,000	2,100
Total Liabilities	**357,772**	**2,457,377**
Commitments and contingencies (Notes 14 and 15)		
Resolution Equity (Note 10)		
Contributed capital	44,156,000	43,991,000
Accumulated deficit	(43,359,395)	(43,725,542)
Total Resolution Equity	**796,605**	**265,458**
Total Liabilities and Resolution Equity	**$ 1,154,377**	**$ 2,722,835**

The accompanying notes are an integral part of these financial statements.

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Statements of Income and Accumulated Deficit

Dollars in Thousands	For the Year Ended December 31 1995	1994
Revenue		
Interest on U.S. Treasury investments	$ 46,904	$ 77,191
Revenue from corporate owned assets	77,087	115,280
Limited partnership and other revenue (Note 11)	314,012	275,779
Total Revenue	**438,003**	**468,250**
Expenses and Losses		
Operating expenses	11,640	15,535
Interest expense	13,901	37,624
Corporate owned asset expenses	55,181	66,394
Provision for losses (Note 9)	(13,684)	(363,812)
Other expenses	4,818	10,355
Total Expenses and Losses	**71,856**	**(233,904)**
Net Income	**366,147**	**702,154**
Accumulated Deficit - Beginning	**(43,725,542)**	**(44,427,696)**
Accumulated Deficit - Ending	**$ (43,359,395)**	**$ (43,725,542)**

The accompanying notes are an integral part of these financial statements.

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Statements of Cash Flows

Dollars in Thousands	For the Year Ended December 31 1995	1994
Cash Flows from Operating Activities		
Cash provided from:		
Interest on U.S. Treasury investments	$ 47,028	$ 77,191
Recoveries from thrift resolutions	785,698	2,019,635
Recoveries from corporate owned assets	420,182	416,987
Miscellaneous receipts	3,502	4,722
Cash used for:		
Operating expenses	(14,399)	(19,053)
Interest paid on indebtedness incurred from thrift resolutions	(9,719)	(28,620)
Disbursements for thrift resolutions	(1,790,471)	(2,077,535)
Disbursements for corporate owned assets	(576,996)	(222,037)
Miscellaneous disbursements	(1,840)	(2,578)
Net Cash (Used by) Provided by Operating Activities (Note 17)	**(1,137,015)**	**168,712**
Cash Flows from Financing Activities		
Cash provided from:		
U.S. Treasury payments	165,000	0
Cash used for:		
Payments of indebtedness incurred from thrift resolutions	(31,560)	(494,095)
Net Cash Provided by (Used by) Financing Activities	**133,440**	**(494,095)**
Net Decrease in Cash and Cash Equivalents	**(1,003,575)**	**(325,383)**
Cash and Cash Equivalents - Beginning	**1,278,548**	**1,603,931**
Cash and Cash Equivalents - Ending	**$ 274,973**	**$ 1,278,548**

The accompanying notes are an integral part of these financial statements.

December 31, 1995 and 1994

1. Legislative History and Operations of the FSLIC Resolution Fund

Legislative History
The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) was enacted to reform, recapitalize and consolidate the federal deposit insurance system. The FIRREA created the FSLIC Resolution Fund (FRF), the Bank Insurance Fund (BIF), and the Savings Association Insurance Fund (SAIF). It also designated the Federal Deposit Insurance Corporation (FDIC) as the administrator of these three funds. All three funds are maintained separately to carry out their respective mandates. The FRF is responsible for winding up the affairs of the former Federal Savings and Loan Insurance Corporation (FSLIC). The BIF and SAIF provide insurance for member banks and thrifts.

The FIRREA also created the Resolution Trust Corporation (RTC), which managed and resolved all thrifts previously insured by the FSLIC for which a conservator or receiver was appointed during the period January 1, 1989, through August 8, 1992. The Resolution Trust Corporation Refinancing, Restructuring and Improvement Act of 1991 (1991 RTC Act) extended the RTC's general resolution responsibility through September 30, 1993, and beyond that date for those institutions previously placed under the RTC's control. The Resolution Trust Corporation Completion Act of 1993 (1993 RTC Act), enacted December 17, 1993, extended the RTC's general resolution responsibility through a date between January 1, 1995 and July 1, 1995. Resolution responsibility transferred from the RTC to the SAIF on July 1, 1995.

The Resolution Funding Corporation (REFCORP) was established by the FIRREA to provide funds to the RTC for use in thrift resolutions. The Financing Corporation (FICO), established under the Competitive Equality Banking Act of 1987, is a mixed-ownership government corporation whose sole purpose was to function as a financing vehicle for the FSLIC. Effective December 12, 1991, as provided by the 1991 RTC Act, the FICO's ability to serve as a financing vehicle for new debt was terminated.

Operations of the FRF
The primary purpose of the FRF is to liquidate the assets and contractual obligations of the now-defunct FSLIC. The FRF will complete the resolution of all thrifts that failed before January 1, 1989, or were assisted through August 8, 1989. The FIRREA provided that the RTC manage any receiverships resulting from thrift failures that occurred after December 31, 1988, but prior to the enactment of the FIRREA. There are five such receiverships that affect the FRF financial statements because the FRF remains financially responsible for the losses associated with these resolution cases.

The FRF is primarily funded from the following sources: 1) income earned on and funds received from the management and disposition of assets of the FRF; 2) the FRF's portion of liquidating dividends paid by FRF receiverships, provided such funds are not required by the REFCORP or the FICO; and 3) interest earned on one-day U.S. Treasury investments purchased with proceeds of 1) and 2). If these sources are insufficient to satisfy the liabilities of the FRF, payments will be made from the U.S. Treasury in amounts necessary, as are appropriated by Congress, to carry out the objectives of the FRF. To facilitate efforts to wind up the resolution activity of the FRF, Public Law 103-327 provides $827 million in funding to be available until expended. The FRF received $165 million under this appropriation on November 2, 1995.

The 1993 RTC Act accelerated the termination date of the RTC from no later than December 31, 1996, to no later than December 31, 1995. All remaining assets and liabilities of the RTC were transferred to the FRF on January 1, 1996, after which any future net proceeds from the sale of such assets will be transferred to the REFCORP for interest payments after satisfaction of any outstanding liabilities of the RTC. The FRF will continue until all of its assets are sold or otherwise liquidated and all of its liabilities are satisfied. Upon the dissolution of the FRF, any funds remaining will be paid to the U.S. Treasury.

2. Summary of Significant Accounting Policies

General
These financial statements pertain to the financial position, results of operations and cash flows of the FRF and are presented in accordance with generally accepted accounting principles (GAAP). These statements do not include reporting for assets and liabilities of closed insured thrift institutions for which the FRF acts as receiver or liquidating agent. Periodic and final accountability reports of the FRF's activities as receiver or liquidating agent are furnished to courts, supervisory authorities and others as required.

Use of Estimates
The preparation of the FRF's financial statements in conformity with generally accepted accounting principles requires FDIC management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Where it is reasonably possible that changes in estimates will cause a material change in the financial statements in the near term, the nature and extent of such changes in estimates have been disclosed in the financial statements.

Allowance for Losses on Receivables from Thrift Resolutions and Investment in Corporate Owned Assets
The FRF records as a receivable the amounts advanced and/or obligations incurred for assisting and closing thrift institutions. The FRF also records as an asset the amounts advanced for investment in corporate owned assets. Any related allowance for loss represents the difference between the funds advanced and/or obligations incurred and the expected repayment. The latter is based on the estimated cash recoveries from the assets of the assisted or failed thrift institution, net of all estimated liquidation costs.

Estimated Liabilities for Assistance Agreements
The FRF establishes an estimated liability for probable future assistance payable to acquirers of troubled thrifts under its financial assistance agreements. Such estimates are presented on a discounted basis.

Litigation Losses
The FRF accrues, as a charge to current period operations, an estimate of probable losses from litigation against the FRF in both its corporate and receivership capacities. The FDIC's Legal Division recommends these estimates on a case-by-case basis. The litigation loss estimates related to receiverships are included in the allowance for losses for receivables from thrift resolutions.

Receivership Administration
The FDIC is responsible for controlling and disposing of the assets of failed institutions in an orderly and efficient manner. The assets, and the claims against them, are accounted for separately to ensure that liquidation proceeds are distributed in accordance with applicable laws and regulations. Also, the income and expenses attributable to receiverships are accounted for as transactions of those receiverships. Liquidation expenses incurred by the FRF on behalf of the receiverships are recovered from those receiverships.

Cost Allocations Among Funds
Certain operating expenses (including personnel, administrative and other indirect expenses) not directly charged to each fund under the FDIC's management are allocated on the basis of the relative degree to which the operating expenses were incurred by the funds.

The FDIC includes the cost of facilities used in operations in the BIF's financial statements. The BIF charges the FRF a rental fee representing an allocated share of its annual depreciation. The cost of furniture, fixtures and equipment purchased by the FDIC on behalf of the three funds under its administration is allocated among these funds on a pro rata basis. The FRF expenses its share of these allocated costs at the time of acquisition because of their immaterial amounts.

Postretirement Benefits Other Than Pensions
The FDIC established an entity to provide the accounting and administration of postretirement benefits on behalf of the FRF, the BIF, the SAIF and the RTC. The FRF funds its liabilities for these benefits directly to the entity.

Disclosure about Recent Financial Accounting Standards Board Pronouncements
In May 1993, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 114, "Accounting by Creditors for Impairment of a Loan," to be adopted for fiscal years beginning after December 15, 1994. While FDIC adopted SFAS No. 114, most of the FRF assets are specifically outside the scope of this pronouncement. These assets do not meet the definition of a loan within the meaning of the statement or are valued through alternative methods. Any assets subject to Statement No. 114 are immaterial either because of insignificant book value or because any potential adjustment to the carrying value as a result of applying Statement No. 114 would be immaterial.

The FASB issued SFAS No. 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures," in October 1994, to be adopted for fiscal years beginning after December 15, 1994". This statement is an amendment to SFAS No. 114 and was adopted by the FDIC this year.

Other recent pronouncements issued by the FASB have been adopted or are either not applicable or not material to the financial statements.

Wholly Owned Subsidiary
The Federal Asset Disposition Association (FADA) is a wholly owned subsidiary of the FRF. The FADA was placed in receivership on February 5, 1990. However, due to outstanding litigation, a final liquidating dividend to the FRF will not be made until the FADA's litigation liability is settled or dismissed. The investment in the FADA is accounted for using the equity method and is included in "Other assets, net" (Note 6). As of December 31, 1995, the value of the investment has been adjusted for projected expenses relating to the liquidation of the FADA. The FADA's estimate of probable litigation losses is $2.8 million. Accordingly, a $2.8 million litigation loss has been recognized as a reduction in the value of the FRF's investment in the FADA. There were no additional litigation losses considered reasonably possible as of December 31, 1995.

Related Parties
The nature of related parties and descriptions of related party transactions are disclosed throughout the financial statements and footnotes.

Reclassifications
Reclassifications have been made in the 1994 financial statements to conform to the presentation used in 1995.

3. Cash and Cash Equivalents

The FRF considers cash equivalents to be short-term, highly liquid investments with original maturities of three months or less. In 1995, cash restrictions included $403 thousand for health insurance payable and $565 thousand for funds held in trust. In 1994, cash restrictions included $204 thousand for health insurance payable and $821 thousand for funds held in trust.

4. Receivables from Thrift Resolutions, Net

As of December 31, 1995 and 1994, the FRF, in its receivership capacity, held assets with a book value of $533 million and $947 million, respectively. The estimated cash recoveries from the sale of these assets (excluding cash and miscellaneous receivables of $174 million in 1995 and $168 million in 1994) are regularly evaluated, but remain subject to uncertainties because of changing economic conditions. These factors could affect the FRF's actual recoveries upon the sale of these assets from the level of recoveries currently estimated.

Receivables from Thrift Resolutions, Net		
Dollars in Thousands	**December 31**	
	1995	**1994**
Assets from Open Thrift Assistance:		
Collateralized loans	$ 0	$ 360,000
Notes receivable	130,420	130,657
Subordinated debt instruments	14,301	21,301
Capital instruments	65,000	65,000
Interest in limited partnerships	0	29,624
Preferred stock	417,733	429,628
Interest receivable	2,761	4,717
Allowance for losses (Note 9)	(446,514)	(423,296)
	183,701	**617,631**
Receivables from Closed Thrifts:		
Resolution transactions	8,600,088	9,114,230
Collateralized advances/loans	279,297	289,494
Other receivables	219,737	218,918
Allowance for losses (Note 9)	(8,912,380)	(9,186,166)
	186,742	**436,476**
Total	**$ 370,443**	**$ 1,054,107**

5. Investment in Corporate Owned Assets, Net

The FRF's investment in corporate owned assets is comprised of amounts that: 1) the FSLIC paid to purchase assets from troubled or failed thrifts and 2) the FRF pays to acquire receivership assets, terminate receiverships and purchase covered assets. The majority of these assets are real estate and mortgage loans.

The FRF recognizes income and expenses on these assets. Income consists primarily of the portion of collections on performing mortgages related to interest earned. Expenses are recognized for administering the management and liquidation of these assets.

Investment in Corporate Owned Assets, Net		
Dollars in Thousands	**December 31**	
	1995	**1994**
Investment in corporate owned assets	$ 3,664,397	$ 3,444,413
Allowance for losses (Note 9)	(3,160,056)	(3,074,236)
Total	**$ 504,341**	**$ 370,177**

6. Other Assets, Net

Dollars in Thousands	December 31 1995	December 31 1994
Investment in FADA (Note 2)	$ 15,000	$ 25,000
Allowance for loss (Note 9)	(11,074)	(12,375)
Investment in FADA, Net	**3,926**	**12,625**
Accounts receivable	126	230
Due from other government entities	568	7,148
Total	**$ 4,620**	**$ 20,003**

7. Liabilities Incurred from Thrift Resolutions

The FSLIC issued promissory notes and entered into assistance agreements to prevent the default and subsequent liquidation of certain insured thrift institutions. These notes and agreements required the FSLIC to provide financial assistance over time. Under the FIRREA, the FRF assumed these obligations. Notes payable and obligations for assistance agreement payments incurred but not yet paid are in "Liabilities incurred from thrift resolutions." Estimated future assistance payments are included in "Estimated liabilities for: Assistance agreements" (see Note 8).

Liabilities Incurred from Thrift Resolutions

Dollars in Thousands	December 31 1995	December 31 1994
Notes payable to Federal Home Loan Banks/U.S. Treasury	$ 0	$ 360,000
Capital instruments	725	725
Assistance agreement notes payable	157,800	189,360
Assistance agreement costs payable	0	1,530,043
Interest payable	2,600	2,931
Other liabilities to thrift institutions	77,262	81,379
Total	**$ 238,387**	**$ 2,164,438**

Maturities of Liabilities

Dollars in Thousands

1996	1997	1998
$112,147	$31,560	$94,680

8. Estimated Liabilities for:

Assistance Agreements
The "Estimated liabilities for: Assistance agreements" represents, on a discounted basis, an estimate of future assistance payments to acquirers of troubled thrift institutions. The nominal dollar amount before discounting was $91 million and $294 million, as of December 31, 1995 and 1994, respectively. The discount rates applied as of December 31, 1995 and 1994, were 5.5 percent and 6.3 percent, respectively, based on U.S. money rates for federal funds.

Future assistance stems from the FRF's obligation to: 1) fund losses inherent in assets covered under the assistance agreements (e.g., by subsidizing asset write-downs, capital losses and goodwill amortization) and 2) supplement the actual yield earned from covered assets as necessary for the acquirer to achieve a specified yield (the "guaranteed yield"). Estimated total assistance costs recognized for current assistance agreements with institutions involving covered assets include estimates for the loss expected on the assets based on their appraised values. The FRF is obligated to fund any losses sustained by the institutions on the sale of the assets. If all underlying assets prove to be of no value, the possible cash requirements and the accounting loss could be as high as $467 million (see Note 15). The costs and related cash requirements associated with maintaining covered assets are calculated using an applicable cost of funds rate and would change proportionately with market rates.

The estimated liabilities for assistance agreements are affected by several factors, including adjustments to expected notes payable, the terms of the assistance agreements outstanding and, in particular, the marketability of the related covered assets. The variable nature of the FRF assistance agreements will cause the cost requirements to fluctuate. This fluctuation will impact both the timing and amount of eventual cash flows.
The number of assistance agreements outstanding as of December 31, 1995 and 1994, were 37 and 54, respectively. The last agreement is scheduled to expire in December 1998.

Litigation Losses
The FRF records an estimated loss for unresolved legal cases to the extent those losses are considered to be probable in occurrence and reasonably estimable in amount. In addition, the FDIC's Legal Division has determined that losses from unresolved legal cases totaling $132 million are reasonably possible. This includes $125 million in losses for the FRF in its corporate capacity and $7 million in losses for the FRF in its receivership capacity (see Note 2).

There exists an additional category of contingencies with respect to FRF that arises from supervisory goodwill and other capital forbearances granted to the acquirers of troubled thrifts by the Federal Home Loan Bank Board in the 1980's. Subsequently, FIRREA imposed minimum capital requirements on thrifts and limited the use of supervisory goodwill and other forbearances to meet these capital requirements. There are currently approximately 120 cases pending which result from the elimination of supervisory goodwill and forbearances.

To date, one of these cases has resulted in a final judgment of $6 million against FDIC, which FDIC paid from FRF in accordance with the court's order. FDIC believes that judgments in such cases are properly paid from the Judgment Fund, a permanent, indefinite appropriation established by 31 U.S.C. 1304. The extent to which FRF will be the source for paying other judgments in such cases is uncertain.

9. Analysis of Changes in Allowance for Losses and Estimated Liabilities

In the following charts, transfers primarily include reclassifications from "Estimated liabilities for: Assistance agreements" to "Liabilities incurred from thrift resolutions" for notes payable and related accrued assistance agreement costs. Terminations represent final adjustments to the estimated cost figures for those thrift resolutions that were completed and the operations of the receivership ended.

Analysis of Changes in Allowance for Losses and Estimated Liabilities - 1995

Dollars in Millions

Allowance for Losses:	Beginning Balance 01/01/95	Provision for Losses	Net Cash Payments	Adjustments/ Transfers/ Terminations	Ending Balance 12/31/95
Open thrift assistance	$ 423	$ 16	$ 0	$ 7	$ 446
Closed thrifts	9,186	(7)	0	(267)	8,912
Corporate owned assets	3,074	90	0	(4)	3,160
Investment in FADA	12	(1)	0	0	11
Total Allowance for Losses	**12,695**	**98**	**0**	**(264)**	**12,529**
Estimated Liabilities for:					
Assistance agreements	278	(137)	(203)	143	81
Litigation losses	2	25	0	0	27
Total Estimated Liabilities	**280**	**(112)**	**(203)**	**143**	**108**
Provision for Losses		**$ (14)**			

Analysis of Changes in Allowance for Losses and Estimated Liabilities - 1994

Dollars in Millions

Allowance for Losses:	Beginning Balance 01/01/94	Provision for Losses	Net Cash Payments	Adjustments/ Transfers/ Terminations	Ending Balance 12/31/94
Open thrift assistance	$ 423	$ 0	$ 0	$ 0	$ 423
Closed thrifts	9,549	(133)	0	(230)	9,186
Corporate owned assets	2,988	86	0	0	3,074
Due from the SAIF	7	0	0	(7)	0
Investment in FADA	11	1	0	0	12
Total Allowance for Losses	**12,978**	**(46)**	**0**	**(237)**	**12,695**
Estimated Liabilities for:					
Assistance agreements	1,290	(320)	(1,424)	732	278
Litigation losses	70	2	0	(70)	2
Total Estimated Liabilities	**1,360**	**(318)**	**(1,424)**	**662**	**280**
Provision for Losses		**$ (364)**			

10. Resolution Equity

The accumulated deficit includes $7.5 billion in non-redeemable capital certificates and redeemable capital stock issued by the FSLIC. Capital instruments were issued by the FSLIC and the FRF to the FICO as a means of obtaining capital. Effective December 12, 1991, the FICO's authority to issue obligations as a means of financing for the FRF was terminated (see Note 1). Furthermore, the implementation of the FIRREA, in effect, removed the redemption characteristics of the capital stock issued by the FSLIC.

Resolution Equity

Dollars in Thousands

	Beginning Balance 01/01/95	Net Income	Treasury Payments	Ending Balance 12/31/95
Contributed capital	$ 43,991,000	$ 0	$ 165,000	$ 44,156,000
Accumulated deficit	(43,725,542)	366,147	0	(43,359,395)
Total	**$ 265,458**	**$ 366,147**	**$ 165,000**	**$ 796,605**

	Beginning Balance 01/01/94	Net Income	Treasury Payments	Ending Balance 12/31/94
Contributed capital	$ 43,991,000	$ 0	$ 0	$ 43,991,000
Accumulated deficit	(44,427,696)	702,154	0	(43,725,542)
Total	**$ (436,696)**	**$ 702,154**	**$ 0**	**$ 265,458**

11. Limited Partnership and Other Revenue

During 1993, the FDIC's Board of Directors delegated to the RTC the authority to execute partnership agreements on behalf of the FDIC. Under that authority, the FRF secured a limited partnership interest in two partnerships, Mountain AMD and Brazos Partners, in order to achieve a least cost resolution. The FRF has collected its entire interest in the partnerships. However, funds in excess of the original investment continue to be collected by the FRF.

Limited Partnership and Other Revenue

Dollars in Thousands	For the Year Ended December 31 1995	1994
Gain on limited partnership agreements	$ 292,124	$ 229,651
Interest earned on assistance agreements	10,776	23,798
Other assistance agreements revenue	7,940	300
Interest earned on subrogated claims of depositors	0	20,786
Interest earned on advances to receiverships	1,737	1,054
Other	1,435	190
Total	**$ 314,012**	**$ 275,779**

12. Pension Benefits, Savings Plans and Accrued Annual Leave

Eligible FDIC employees (i.e., all permanent and temporary employees with appointments exceeding one year) are covered by either the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). The CSRS is a defined benefit plan offset with the Social Security System in certain cases. Plan benefits are determined on the basis of years of creditable service and compensation levels. The CSRS-covered employees also can contribute to the tax-deferred Federal Thrift Savings Plan (TSP) .

The FERS is a three-part plan consisting of a basic defined benefit plan that provides benefits based on years of creditable service and compensation levels, Social Security benefits and the TSP. Automatic and matching employer contributions to the TSP are provided up to specified amounts under the FERS.

Eligible FDIC employees also may participate in an FDIC-sponsored tax-deferred savings plan with matching contributions. The FRF pays its share of the employer's portion of all related costs.

Although the FRF contributes a portion of pension benefits for eligible employees, it does not account for the assets of either retirement system. The FRF also does not have actuarial data for accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported and accounted for by the U.S. Office of Personnel Management.

The liability to employees for accrued annual leave is approximately $2.9 million and $3.2 million at December 31, 1995 and 1994, respectively.

Pension Benefits and Savings Plans Expenses

Dollars in Thousands	**For the Year Ended December 31**	
	1995	**1994**
Civil Service Retirement System	$ 471	$ 548
Federal Employee Retirement System (Basic Benefit)	2,691	2,222
FDIC Savings Plan	1,357	1,520
Federal Thrift Savings Plan	703	725
Total	**$ 5,222**	**$ 5,015**

13. Postretirement Benefits Other than Pensions

The FDIC provides certain health, dental and life insurance coverage for its eligible retirees, the retirees' beneficiaries and covered dependents. Retirees eligible for health and/or life insurance coverage are those who have qualified due to: 1) immediate enrollment upon appointment or five years of participation in the plan and 2) eligibility for an immediate annuity. Dental coverage is provided to all retirees eligible for an immediate annuity.

The FDIC is self-insured for hospital/medical, prescription drug, mental health and chemical dependency coverage. Additional risk protection was purchased from Aetna Life Insurance Company through stop-loss and fiduciary liability insurance. All claims are administered on an administrative services only basis with the hospital/medical claims administered by Aetna Life Insurance Company, the mental health and chemical dependency claims administered by OHS Foundation Health Psychcare Inc., and the prescription drug claims administered by Caremark.

The life insurance program, underwritten by Metropolitan Life Insurance Company, provides basic coverage at no cost to retirees and allows converting optional coverages to direct-pay plans. Dental care is underwritten by Connecticut General Life Insurance Company and provides coverage at no cost to retirees.

The FRF expensed $1.8 million and $1.4 million for net periodic postretirement benefit costs for the years ended December 31, 1995 and 1994, respectively. For measurement purposes, the FDIC assumed the following: 1) a discount rate of 6 percent; 2) an average long-term rate of return on plan assets of 5 percent; 3) an increase in health costs in 1995 of 12 percent, decreasing down to an ultimate rate in 1999 of 8 percent; and 4) an increase in dental costs in 1995 and thereafter of 8 percent. Both the assumed discount rate and health care cost rate have a significant effect on the amount of the obligation and periodic cost reported.

If the health care cost rate were increased one percent, the accumulated postretirement benefit obligation as of December 31, 1995, would have increased by 22.9 percent. The effect of this change on the aggregate of service and interest cost for 1995 would be an increase of 25.6 percent.

Net Periodic Postretirement Benefit Cost

Dollars in Thousands	**For the Year Ended December 31**	
	1995	**1994**
Service cost (benefits attributed to employee service during the year)	$ 1,587	$ 1,325
Interest cost on accumulated postretirement benefit obligation	1,035	752
Net total of other components	(251)	(256)
Return on plan assets	(563)	(442)
Total	**$ 1,808**	**$ 1,379**

As stated in Note 2, the FDIC established an entity to provide accounting and administration on behalf of the FRF, the BIF, the SAIF and the RTC. The FRF funds its liability and these funds are being managed as "plan assets."

Accumulated Postretirement Benefit Obligation and Funded Status

Dollars in Thousands	**December 31**	
	1995	**1994**
Retirees	$ 3,010	$ 2,798
Fully eligible active plan participants	849	664
Other active participants	6,917	9,262
Total Obligation	**10,776**	**12,724**
Less: Plan assets at fair value (a)	12,018	11,455
(Over) Under Funded Status	**(1,242)**	**1,269**
Unrecognized prior service cost	3,480	0
Unrecognized net gain	727	0
Postretirement Benefit Liability Recognized in the Statements of Financial Position	**$ 2,965**	**$ 1,269**

(a) Consists of U.S. Treasury investments

14. Commitments

The FRF's allocated share of FDIC's lease commitments totals $7.3 million for future years. The lease agreements contain escalation clauses resulting in adjustments, usually on an annual basis. The FRF recognized leased space expense of $4.5 million and $8.9 million for the years ended December 31, 1995 and 1994, respectively.

Leased Space Fees					
Dollars in Thousands					
1996	1997	1998	1999	2000	2001
$1,845	$1,668	$1,145	$921	$837	$862

15. Concentration of Credit Risk

The FRF is counterparty to a group of financial instruments with entities located throughout regions of the United States experiencing problems in both loans and real estate. The FRF's maximum exposure to possible accounting loss, should each counterparty to these instruments fail to perform and any underlying assets prove to be of no value, is shown as follows:

Concentration of Credit Risk at December 31, 1995

Dollars in Millions

	Southeast	Southwest	Northeast	Midwest	Central	West	Total
Receivables from thrift resolutions, net	$ 36	$ 163	$ 0	$ 7	$ 26	$ 138	$ 370
Investment in corporate owned assets, net	10	460	0	0	3	31	504
Assistance agreements covered assets, net of estimated capital loss (off-balance-sheet)	0	407	0	0	50	10	467
Total	**$ 46**	**$ 1,030**	**$ 0**	**$ 7**	**$ 79**	**$ 179**	**$ 1,341**

16. Disclosures about the Fair Value of Financial Instruments

Cash equivalents are short-term, highly liquid investments and are shown at current value. The carrying amount of accounts payable, liabilities incurred from thrift resolutions and the estimated liabilities for assistance agreements approximates their fair market value. This is due to their short maturities or comparisons with current interest rates.

It is not practicable to estimate fair market values of net receivables from thrift resolutions. These assets are unique, not intended for sale to the private sector and have no established market. The FDIC believes that a sale to the private sector would require indeterminate, but substantial discounts for an interested party to profit from these assets because of credit and other risks. A discount of this proportion would significantly increase the cost of thrift resolutions to the FRF. Comparisons with other financial instruments do not provide a reliable measure of their fair market value. Due to these and other factors, the FDIC cannot determine an appropriate market discount rate and, thus, is unable to estimate fair market value on a discounted cash flow basis. As shown in Note 4, the carrying amount is the estimated cash recovery value, which is the original amount advanced (and/or obligations incurred) net of the estimated allowance for loss.

The majority of the net investment in corporate owned assets (except real estate) is comprised of various types of financial instruments (investments, loans, accounts receivable, etc.) acquired from failed thrifts. As with net receivables from thrift resolutions, it is not practicable to estimate fair market values. Cash recoveries are primarily from the sale of poor quality assets. They are dependent on market conditions that vary over time, and can occur unpredictably over many years following resolution. Since the FDIC cannot reasonably predict the timing of these cash recoveries, it is unable to estimate fair market value on a discounted cash flow basis. As shown in Note 5, the carrying amount is the estimated cash recovery value, which is the original amount advanced (and/or obligations incurred) net of the estimated allowance for loss.

17. Supplementary Information Relating to the Statements of Cash Flows

Non-cash financing activities for the years ended December 31, 1995 and 1994, include a decrease in collateralized loans guaranteed by the FRF of $360 million and $20 million, respectively (see Note 4).

Reconciliation of Net Income to Net Cash (Used by) Provided by Operating Activities

Dollars in Thousands	For the Year Ended December 31 1995	For the Year Ended December 31 1994
Net Income	**$ 366,147**	**$ 702,154**
Adjustments to Reconcile Net Income to Net Cash (Used by) Provided by Operating Activities		
Income Statement Item:		
Provision for losses	(13,684)	(363,812)
Change in Assets and Liabilities:		
Decrease in receivables from thrift resolutions	675,943	1,343,143
(Increase) decrease in investment in corporate owned assets	(223,856)	121,049
Decrease in other assets	14,281	160,511
(Decrease) in accounts payable and other liabilities	(2,217)	(93,129)
(Decrease) in liabilities incurred from thrift resolutions	(1,899,484)	(838,703)
(Decrease) in estimated liabilities for assistance agreements	(54,145)	(862,501)
Net Cash (Used by) Provided by Operating Activities	**$ (1,137,015)**	**$ 168,712**

Comptroller General
of the United States
Washington, D.C. 20548

B-262039

To the Board of Directors
Federal Deposit Insurance Corporation

We have audited the statements of financial position as of December 31, 1995 and 1994, of the three funds administered by the Federal Deposit Insurance Corporation (FDIC), the related statements of income and fund balance (accumulated deficit), and statements of cash flows for the years then ended. In our audits of the Bank Insurance Fund (BIF), the Savings Association Insurance Fund (SAIF), and the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (FRF), we found

- the financial statements of each fund, taken as a whole, were reliable in all material respects;

- although certain internal controls should be improved, FDIC management fairly stated that internal controls in place on December 31, 1995, were effective in safeguarding assets from material loss, assuring compliance with relevant laws and regulations, and assuring that there were no material misstatements in the financial statements of the three funds administered by FDIC; and

- no reportable noncompliance with laws and regulations we tested.

During our audits of the 1994 financial statements of the three funds,[1] we identified weaknesses in FDIC's internal controls which, while not material, affected its ability to ensure that internal control objectives were achieved. We made a number of recommendations to address each of the weaknesses identified in our 1994 audits.

In conducting our 1995 audits, we found that FDIC made progress in addressing several internal control weaknesses identified in our 1994 audits. FDIC's actions during 1995 fully resolved weaknesses we identified in controls over safeguarding of assets and proper reporting of asset management and disposition activity by contracted asset servicing entities. Also, FDIC made some progress in improving controls over its asset valuation process. However, additional improvements are needed, as FDIC has not fully addressed our concerns regarding weaknesses in documentation maintained to support asset recovery estimates. Our 1995 audits continued to find weaknesses, though not material, in controls over FDIC's process for estimating recoveries from failed institution assets. In our 1995 audits, we also continued to find weaknesses in FDIC's time and attendance reporting process. FDIC has initiatives underway to streamline its time and attendance process which it believes will address the internal control weaknesses we identified. In addition, during 1995, we found a weakness in FDIC's electronic data processing controls which, due to its sensitive nature, is being communicated separately to FDIC.

The condition of the nation's banks and savings associations continued to improve. The improved condition of the banking industry, and the higher premiums BIF-insured institutions have paid in the last several years, resulted in BIF reaching its designated capitalization level in 1995. Consequently, FDIC lowered premium rates charged to BIF-insured institutions. While the improved condition of the nation's thrifts and higher premiums have helped improve SAIF's condition, a significant premium rate differential developed between BIF and SAIF during 1995 and, absent legislative action, will likely remain for a number of years. This significant premium rate differential could adversely affect the thrift industry's ability to finance certain obligations arising from the thrift crisis of the 1980s and could eventually lead to higher deposit insurance premium rates.

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[1] Financial Audit: Federal Deposit Insurance Corporation's 1994 and 1993 Financial Statements (GAO/AIMD-95-102, March 31, 1995).

The following sections discuss our conclusions in more detail and discuss (1) the scope of our audits, (2) significant matters related to the condition and outlook of the banking and thrift industries and the insurance funds, and what progress the Corporation has made in addressing internal control weaknesses identified in prior audits, (3) reportable conditions[2] identified in our 1995 audits, (4) recommendations from our 1995 audits, and (5) the Corporation's comments on a draft of this report and our evaluation.

OPINION ON FINANCIAL STATEMENTS

Bank Insurance Fund

In our opinion, the financial statements and accompanying notes present fairly, in all material respects, in conformity with generally accepted accounting principles, the Bank Insurance Fund's financial position as of December 31, 1995 and 1994, and the results of its operations and its cash flows for the years then ended.

However, misstatements may nevertheless occur in other FDIC-reported financial information on BIF as a result of the internal control weaknesses summarized above and discussed in detail in a later section of this report.

Savings Association Insurance Fund

In our opinion, the financial statements and accompanying notes present fairly, in all material respects, in conformity with generally accepted accounting principles, the Savings Association Insurance Fund's financial position as of December 31, 1995 and 1994, and the results of its operations and its cash flows for the years then ended.

However, misstatements may nevertheless occur in other FDIC-reported financial information on SAIF as a result of the internal control weaknesses summarized above and discussed in detail in a later section of this report.

FSLIC Resolution Fund

In our opinion, the financial statements and accompanying notes present fairly, in all material respects, in conformity with generally accepted accounting principles, the FSLIC Resolution Fund's financial position as of December 31, 1995 and 1994, and the results of its operations and its cash flows for the years then ended.

However, misstatements may nevertheless occur in other FDIC-reported financial information on FRF as a result of the internal control weaknesses summarized above and discussed in detail in a later section of this report.

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[2]Reportable conditions involve matters coming to the auditor's attention relating to significant deficiencies in the design or operation of internal controls that, in the auditor's judgment, could adversely affect an entity's ability to (1) safeguard assets against loss from unauthorized acquisition, use, or disposition, (2) ensure the execution of transactions in accordance with management's authority and in accordance with laws and regulations, and (3) properly record, process, and summarize transactions to permit the preparation of financial statements and to maintain accountability for assets. A material weakness is a reportable condition in which the design or operation of the internal controls does not reduce to a relatively low level the risk that losses, noncompliance, or misstatements in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of their assigned duties.

On January 1, 1996, FRF assumed responsibility for liquidating the assets and satisfying the obligations of the Resolution Trust Corporation (RTC).[3] As discussed in note 1 of FRF's financial statements,[4] proceeds from the management and disposition of RTC's assets will be used to satisfy the transferred obligations. Any additional proceeds after satisfaction of RTC's obligations will be transferred to the Resolution Funding Corporation.[5]

As discussed in note 8 of FRF's financial statements, there are approximately 120 pending lawsuits which stem from legislation that resulted in the elimination of supervisory goodwill and other forbearances from regulatory capital. These lawsuits assert various legal claims including breach of contract or an uncompensated taking of property resulting from the FIRREA provisions regarding minimum capital requirements for thrifts and limitations as to the use of supervisory goodwill to meet minimum capital requirements. One case has resulted in a final judgment of $6 million against FDIC, which was paid by FRF.

On July 1, 1996, the United States Supreme Court concluded that the government is liable for damages in three other cases, consolidated for appeal to the Supreme Court, in which the changes in regulatory treatment required by FIRREA led the government to not honor its contractual obligations. However, because the lower courts had not determined the appropriate measure or amount of damages, the Supreme Court returned the cases to the Court of Federal Claims for further proceedings. Until the amount of damages are determined by the court, the amount of additional costs from these three cases is uncertain. Further, with respect to the other pending cases, the outcome of each case and the amount of any possible damages will depend on the facts and circumstances, including the wording of agreements between thrift regulators and acquirers of troubled savings and loan institutions. Estimates of possible damages suggest that the additional costs associated with these claims may be in the billions. The Congressional Budget Office's December 1995 update of its baseline budget projections increased its projection of future outlays for fiscal years 1997 through 2002 by $9 billion for possible payments of such claims.

As mentioned above, the final judgment of $6 million in one case against FDIC was paid by FRF. However, as discussed in note 8 of FRF's financial statements, FDIC believes that judgments in such cases are properly paid from the Judgment Fund.[6] The extent to which FRF will be the source of paying other judgments in such cases is uncertain.

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[3]The Resolution Trust Corporation was created by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) to manage and resolve all troubled savings institutions that were previously insured by FSLIC and for which a conservator or receiver was appointed during the period January 1, 1989, through August 8, 1992. This period was extended to September 30, 1993, by the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 and was further extended on December 17, 1993, to a date not earlier than January 1, 1995, nor later than July 1, 1995, by the Resolution Trust Corporation Completion Act of 1993 (RTC Completion Act). The RTC Completion Act stated that the final date would be determined by the Chairperson of the Thrift Depositor Protection Oversight Board. On December 5, 1994, the Chairperson made the determination that RTC would continue to resolve failed thrift institutions through June 30, 1995. Finally, the RTC Completion Act required RTC to terminate its operations no later than December 31, 1995.

[4]The notes to FRF's financial statements do not present amounts associated with the assets and obligations transferred from RTC as FDIC management is currently considering the future form of the reporting entity (that is, FRF and RTC).

[5]The Resolution Funding Corporation was established by FIRREA to provide funding for RTC through issuance of long-term debt securities. Any proceeds transferred to the Resolution Funding Corporation will be used to make interest payments on the long-term debt securities.

[6]The Judgment Fund is a permanent, indefinite appropriation established by 31 U.S.C. Sec. 1304.

OPINION ON FDIC MANAGEMENT'S ASSERTIONS ABOUT THE EFFECTIVENESS OF FDIC'S INTERNAL CONTROLS

For the three funds administered by FDIC, we evaluated FDIC management's assertions about the effectiveness of its internal controls designed to

- safeguard assets against unauthorized acquisition, use, or disposition;
- assure the execution of transactions in accordance with management's authority and with provisions of selected laws and regulations that have a direct and material effect on the financial statements of the three funds; and
- properly record, process, and summarize transactions to permit the preparation of financial statements in accordance with generally accepted accounting principles.

FDIC management fairly stated that those controls in place on December 31, 1995, provided reasonable assurance that losses, noncompliance, or misstatements material in relation to the financial statements of each of the three funds would be prevented or detected on a timely basis. Management made this assertion based on criteria in GAO's Standards for Internal Controls in the Federal Government and consistent with the requirements of the Federal Managers' Financial Integrity Act of 1982. However, our work identified the need to improve certain internal controls, which were previously summarized and are described in detail in a later section of this report. These weaknesses in internal controls, although not considered to be material weaknesses, represent significant deficiencies in the design or operation of internal controls which could adversely affect FDIC's ability to meet the internal control objectives listed above.

COMPLIANCE WITH LAWS AND REGULATIONS

Our tests for compliance with selected provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under generally accepted government auditing standards. However, the objective of our audits was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

OBJECTIVES, SCOPE, AND METHODOLOGY

FDIC management is responsible for

- preparing the annual financial statements of BIF, SAIF, and FRF in conformity with generally accepted accounting principles;
- establishing, maintaining, and assessing the Corporation's internal control structure to provide reasonable assurance that internal control objectives as described in GAO's Standards for Internal Controls in the Federal Government are met; and
- complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the financial statements of each of the three funds are free of material misstatement and are presented fairly, in all material respects, in conformity with generally accepted accounting principles and (2) FDIC management's assertion about the effectiveness of internal controls is fairly stated, in all material respects, based upon the control criteria used by FDIC management in making its assertion. We are also responsible for testing compliance with selected provisions of laws and regulations and for performing limited procedures with respect to certain other information in FDIC's annual financial report.

In order to fulfill our responsibilities as auditor of record for the Federal Deposit Insurance Corporation, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements of each of the three funds;
- assessed the accounting principles used and significant estimates made by FDIC management;

- evaluated the overall presentation of the financial statements for each of the three funds;

- obtained an understanding of the internal control structure related to safeguarding assets, compliance with laws and regulations, including the execution of transactions in accordance with management's authority, and financial reporting;

- tested relevant internal controls over safeguarding, compliance, and financial reporting and evaluated management's assertion about the effectiveness of internal controls; and

- tested compliance with selected provisions of the Federal Deposit Insurance Act, as amended; the Chief Financial Officers Act; and the Federal Home Loan Bank Act, as amended.

We did not evaluate all internal controls relevant to operating objectives, such as controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to those controls necessary to achieve the objectives outlined in our opinion on management's assertion about the effectiveness of internal controls. Because of inherent limitations in any internal control structure, losses, noncompliance, or misstatements may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

We conducted our audits from July 5, 1995 through May 2, 1996. Our audits were conducted in accordance with generally accepted government auditing standards.

FDIC provided comments on a draft of this report. FDIC's comments are discussed and evaluated in a later section of this report.

SIGNIFICANT MATTERS

The following section is provided to highlight the condition and outlook of the banking and thrift industries and the insurance funds. In addition, we discuss FDIC's progress in addressing internal control weaknesses identified during our previous audits.

Condition of FDIC-Insured Institutions Showed Continued Improvement in 1995

During 1995, the banking and thrift industries continued their strong performances.[7] Commercial banks reported record profits of $48.8 billion in 1995, marking the fourth consecutive year of record earnings. The main source of earnings in 1995 was higher net interest income. The increase in net interest income was attributable to growth in interest-bearing assets, even though net interest margins declined for a second consecutive year. During 1995, commercial banks' return on assets was 1.17 percent, the third consecutive year that the industry return on assets has exceeded 1 percent.

The strong performance of banks was also reflected in the continued reduction in the number of banks identified as problem institutions. As of December 31, 1995, 144 commercial banks with total assets of $17 billion were identified by FDIC as problem institutions. This represented an improvement over 1994, when 247 commercial banks with total assets of $33 billion were identified as problem institutions. Six commercial banks failed in 1995, the fewest number of failures in any year since 1977.

[7]The information in this section of the report was obtained from The FDIC Quarterly Banking Profile, Fourth Quarter 1995, compiled by FDIC's Division of Research and Statistics from quarterly financial reports submitted by federally insured depository institutions. Thus, we did not audit this information; however, we believe it is consistent with other audited information.

Savings institutions reported record earnings of $7.6 billion in 1995, up from the $6.4 billion earned in 1994. Thrifts experienced an increase in net interest margins in the fourth quarter 1995, the first such increase since 1993. In addition, the thrift industry's annual return on assets rose to 0.78 percent, the highest since 1962. The industry's improved performance was also reflected in the reduction in the number of troubled institutions. As of December 31, 1995, regulators identified 49 savings institutions with total assets of $14 billion as problem institutions. This was a significant improvement over 1994, when 71 institutions with total assets of $39 billion were identified as problem institutions. In 1995, only two savings institutions failed.

A Significant Premium Rate Differential Between Banks and Thrifts Developed in 1995

The strengthened condition of the banking industry, coupled with the relatively high insurance premiums that banks paid between 1991 and 1995, resulted in an accelerated rebuilding of BIF's reserves. BIF reached its designated reserve ratio of 1.25 percent of estimated insured deposits in May 1995. Consequently, FDIC's Board of Directors significantly reduced the risk-based premium rates charged to BIF-insured institutions, and, in September 1995, refunded assessment overpayments from the month following the month BIF recapitalized, or from June 1995 through September 1995, after FDIC confirmed that BIF had achieved its designated reserve ratio. At December 31, 1995, BIF's ratio of reserves to insured deposits equaled 1.30 percent.

Although the thrift industry also experienced significant improvements over the past few years, SAIF has not experienced a similar increase in its ratio of reserves to insured deposits. As of December 31, 1995, SAIF's ratio of reserves to insured deposits equaled 0.47 percent, which is still substantially below its designated reserve ratio of 1.25 percent. SAIF's capitalization has been slowed because its members' premiums have and continue to be used to pay for certain obligations of the thrift crisis, including interest on 30-year bonds issued by the Financing Corporation (FICO).[8] FDIC estimates that, absent the statutory requirement to use premiums for these other obligations, SAIF would have been fully capitalized in 1994. Under current law, FICO has authority to assess SAIF-member savings associations to cover its annual interest expense, which will continue until the 30-year bonds mature in the years 2017 through 2019. In 1995, FICO's assessment totaled $718 million, or approximately 42 percent of SAIF's assessment revenue.[9]

As a result of the annual FICO interest payments, the need to capitalize SAIF to its designated reserve ratio, and a reduction in premium rates for BIF-insured institutions, a significant differential in premium rates charged by BIF and SAIF developed in 1995 and, absent legislative action, will likely remain for many years.[10] For example, during 1996, institutions with deposits insured by BIF are paying an average of less than one cent per $100 of assessable deposits for deposit insurance (0.3 cents). In contrast, institutions with deposits insured by SAIF are paying an average of 23.4 cents per $100 of assessable deposits for similar deposit insurance. Thus, a premium differential of about 23 basis points[11] currently exists.

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[8]FICO was established in 1987 to recapitalize the Federal Savings and Loan Insurance Fund, the former insurance fund for thrifts. FICO was funded mainly through the issuance of public debt offerings which were initially limited to $10.8 billion but were later effectively capped at $8.2 billion by the RTC Refinancing, Restructuring, and Improvement Act of 1991. Neither FICO's bond obligations or the interest on these obligations are obligations of the United States nor are they guaranteed by the United States.

[9]The annual FICO interest obligation, on average, equals approximately $780 million. Because FICO had available cash reserves in 1995, its draw on SAIF's assessments was slightly less than the amount needed to fully fund the 1995 interest payments.

[10]Deposit Insurance Funds: Analysis of Insurance Premium Disparity Between Banks and Thrifts (GAO/AIMD-95-84, March 3, 1995) and Deposit Insurance Funds: Analysis of Insurance Premium Disparity Between Banks and Thrifts (GAO/T-AIMD-95-111, March 23, 1995).

[11]One hundred basis points are equivalent to one percentage point. In this context, the 23 basis points would translate into a 23-cent premium differential for every $100 in assessable deposits.

The Premium Rate Differential Could Affect Funding for FICO's Interest Obligation and Future Deposit Insurance Premium Rates

Only a portion of SAIF's assessment base is available to fund the annual FICO interest obligation.[12] This portion of SAIF's assessment base has declined on average 11 percent each year since SAIF's inception in 1989. At December 31, 1995, only $459 billion of SAIF's total assessment base of $734 billion, or about 62 percent, was available to fund the annual FICO interest obligation. At SAIF's current premium rates, the portion of SAIF's assessment base needed to fund FICO cannot decline below $333 billion in order to avoid a default on the FICO interest payments.

Absent a legislative solution, the premium rate differential between BIF and SAIF provides incentive for SAIF-member institutions to reduce their SAIF-insured deposits to avoid paying higher premiums. Such reductions would further decrease SAIF's assessment base and increase the potential for a default on the FICO bond interest obligation.

When the same product exists in the market place--in this case, deposit insurance--but at two substantially different prices, market forces can provide a strong incentive to avoid the higher price in favor of the lower. Institutions seeking to avoid higher SAIF premiums could do so in a number of ways: (1) reduce the institution's total assets, which, in turn, would reduce its need for deposits, (2) obtain funding from sources such as Federal Home Loan Bank advances or repurchase agreements, which are not subject to insurance premiums, (3) accept BIF-insured deposits as agents for BIF-member affiliates, or (4) pay lower interest rates on deposits, which would encourage deposits to migrate from SAIF to BIF by letting BIF-member affiliates draw away business with deposit rates reflecting their lower deposit insurance costs.

Federal regulators have already observed that some institutions are beginning to use these strategies to decrease their SAIF-insured deposits and, thus, to avoid the higher SAIF premiums. Recently, one large thrift shifted $2.6 billion in deposits to a BIF affiliate. Currently, about 150 SAIF members, with deposits totaling $165 billion, have BIF-member affiliates or are actively pursuing affiliates. The banking regulators have stated that, under existing law, they have limited ability to stop such deposit migration.

As noted above, a continual shrinkage of SAIF's assessment base could have implications not only for debt servicing of the FICO interest obligation, but also for SAIF and BIF premium rates. If SAIF's assessment base shrinks to the point that current SAIF premium rates can no longer provide for sufficient revenue to fund the annual FICO interest payments, a default on the FICO interest obligation could result absent an increase in SAIF's premium rates. Increasing premium rates to compensate for the shrinkage in SAIF's assessment base could lead to even further shrinkage as the higher premiums force more institutions to seek relief by reducing their dependence on SAIF-insured deposits. This, in turn, would increase the potential for a default on the FICO interest obligation. Also, if SAIF deposits continue to shrink, the fund will become smaller and less able to diversify risk, as it is likely that the stronger SAIF member institutions will shift their deposits to BIF, leaving the weaker institutions to SAIF. Finally, if deposits migrate from SAIF to BIF, BIF's reserve ratio could be adversely affected because the transferred deposits do not bring with them any reserves. This could ultimately result in higher future premium rates for BIF members in order for the fund to maintain its designated reserve ratio.

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[12]Thrift deposits acquired by BIF members, referred to as "Oakar" deposits, retain SAIF insurance coverage, and the acquiring institution pays insurance premiums to SAIF for these deposits at SAIF's premium rates. However, because the institution acquiring these deposits is not a savings association and remains a BIF member as opposed to a SAIF member, the insurance premiums it pays to SAIF, while available to capitalize SAIF, are not available to service the FICO interest obligation. Similarly, premiums paid by SAIF-member savings associations that have converted to bank charters, referred to as "Sasser" institutions, are unavailable to fund the FICO interest obligation since the institutions are banks as opposed to savings associations.

On March 19, 1996, the House Committee on Banking and Financial Services held hearings on the condition of SAIF. At these hearings, the FDIC Chairman, the Acting Director of the Office of Thrift Supervision, and the Under Secretary for Domestic Finance of the United States Treasury, urged the Congress to pass comprehensive legislation to provide a solution to the problems associated with capitalizing SAIF, funding FICO, and eliminating the premium rate differential. We have, and continue, to support the need to address the significant risks associated with the premium rate differential.[13]

1995 Actions Address Some Weaknesses Identified in Previous Audits

In our 1994 financial statement audit report on the three funds administered by FDIC, we identified reportable conditions which affected FDIC's ability to ensure that internal control objectives were achieved. These weaknesses related to FDIC's internal controls designed to ensure that (1) estimated recoveries for failed institution assets were determined using sound methodologies and were adequately documented, (2) third party entities properly safeguarded assets and reported asset activity to FDIC, and (3) time and attendance reporting procedures were effective. During 1995, FDIC and third party asset servicing entities' actions addressed, or partially addressed, some of the weaknesses identified in our 1994 audit report.

During our 1994 audits, we identified weaknesses in FDIC's documentation of, and methodology for, estimating recoveries from assets acquired from failed institutions. To address our concerns, FDIC developed historical data to support the formula recovery estimates used for most assets with book values under $250,000. Also, FDIC revised its guidance for estimating recoveries from failed institution assets. The revised guidance provides more comprehensive recovery estimation criteria which take into account the asset's most probable disposition strategy and contains strict documentation standards to support recovery estimates. However, while the revised procedures provide a sound basis for estimating recoveries for failed institution assets, our 1995 audits found that the revised procedures were not effectively implemented.

Our 1994 audits also identified weaknesses in oversight of third party entities contracted to manage and dispose of failed institution assets. During 1995, FDIC and third party servicers acted to address internal control weaknesses over third party servicers' reporting of asset management and disposition activity and safeguarding of collections. Specifically, the Contractor Accounting Oversight Group (CAOG) and Contractor Oversight and Monitoring Branch (COMB) of FDIC's Division of Finance and Division of Depositor and Asset Services, respectively, fully implemented the requirements of the Letter of Understanding on Accounting Roles and Responsibilities of CAOG and COMB. This letter outlines specific verification procedures, the timing of those procedures, and the FDIC entity responsible for performing the procedures at the contracted asset servicers. The letter was issued in October 1994, but was not fully implemented until after December 31, 1994. However, we found that during 1995, FDIC verified the accuracy of reported asset activity to supporting documentation and to servicers' detailed accounting records.

Third party servicers also improved daily collection procedures designed to ensure that collections are properly safeguarded and completely and accurately reported. Specifically, one servicer effectively implemented procedures to verify collections received and reconcile collections processed and deposited to daily collections. Another servicer implemented dual controls over daily collections and instituted aggressive procedures for collecting delinquent payments. In addition, another servicer completed its servicing agreement with FDIC. As a result of the actions taken by FDIC regarding verification of servicer activity reports and actions taken by the asset servicers regarding safeguarding of collections, we no longer consider these issues to be a reportable condition as of December 31, 1995.

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[13] Deposit Insurance Funds: Analysis of Insurance Premium Disparity Between Banks and Thrifts (GAO/T-AIMD-95-223, August 2, 1995).

While the above actions address some of the internal control deficiencies identified in our prior year's audits, some long-standing deficiencies remain. During 1995, we continued to find weaknesses in FDIC's adherence to its time and attendance reporting procedures. Also, we continued to find weaknesses in documentation used to support estimated recoveries from failed institution assets. Finally, while FDIC revised its procedures for estimating recoveries for failed institution assets, we found these procedures were not effectively implemented. Consequently, as discussed below, we still consider these weaknesses to be reportable conditions as of December 31, 1995.

REPORTABLE CONDITIONS

The following reportable conditions represent significant deficiencies in FDIC's internal controls and should be corrected by FDIC management.

1. Controls to ensure that recovery estimates for assets acquired from failed financial institutions comply with FDIC's revised asset recovery estimation methodology are not working effectively. Specifically, FDIC's controls do not ensure that recovery estimates comply with the methodologies specified in FDIC's Asset Disposition Manual (ADM), or are based on current and complete file documentation. Also, FDIC does not have controls in place to ensure that, in deriving reasonable estimates of recovery for assets in liquidation, the asset recovery estimation process considers the impact of events through the period covered by the three funds' financial statements. These estimates are used by FDIC to determine the allowance for losses on receivables from resolution activities and investment in corporate-owned assets for the funds. Consequently, these weaknesses resulted in misstatements to BIF's and FRF's 1995 financial statements and could result in future misstatements to each fund's financial statements if corrective action is not taken by FDIC management.

In response to recommendations in our 1994 audit report, in August 1995, FDIC completed the ADM and issued it to Division of Depositor and Asset Services field office staff. This manual contained detailed guidance in asset recovery estimation methodologies and strict requirements for documentation to support such estimates. FDIC's intent in issuing this manual was to ensure that reasonable estimates of recoveries were available to facilitate the calculation of the December 31, 1995, allowance for losses for the funds administered by FDIC. However, we found that the ADM was not effectively implemented. Specifically, we found that asset recovery estimates were not always consistently supported by, and/or consistent with file documentation or the most probable disposition strategy. Also, we found that asset recovery estimates were not always prepared using the most current information available at the time the estimate was developed.

The Asset Disposition Manual requires supervisory review to verify the accuracy and adequacy of recovery estimates. However, we found that the supervisory reviews were generally cursory in nature and frequently did not identify recovery estimates that were not in compliance with the ADM. Consequently, these reviews did not always identify inaccurate or unsupported asset recovery estimates.

FDIC uses asset recovery estimates prepared no later than September 30 in calculating the year-end allowance for losses on the receivables from resolution activities and investments in corporate-owned assets reflected in the funds' financial statements. This creates the potential for significant changes in the estimates of recoveries on the underlying assets in liquidation in the last 3 months of the year to not be fully reflected in the year-end financial statements.

In this regard, we found that significant fluctuations in the aggregate estimated recovery value of BIF's and FRF's failed institution asset inventory that occurred during the fourth quarter of 1995 were not fully reflected in the year-end allowance for losses on BIF's and FRF's receivables from resolution activities and investment in corporate-owned assets. These fluctuations were caused by a number of factors, such as collections on assets, asset dispositions, write-offs, and changes in the circumstances affecting individual assets' recovery potential. The ADM requires individual asset recovery estimates to be updated within 30 days following any significant event or change in disposition strategy that affects the estimated recovery by 5 percent or more. However, we found that recovery estimates were not always updated to reflect these changes. Also, when such changes were made, they were not used to update the year-end allowance for loss calculation.

The lack of consistent adherence to the revised asset valuation methodology, particularly regarding the need for adequate documentation to support such estimates, combined with the lack of an effective process for fully considering the impact of events between the asset valuation date and year-end, resulted in FDIC understating BIF's and FRF's allowance for losses on their receivables from resolution activity and investment in corporate-owned assets. This, in turn, contributed to FDIC misstating BIF's fund balance and FRF's accumulated deficit as of December 31, 1995.

We selected samples of BIF's and FRF's inventories of failed institution assets. Using the criteria contained in the ADM, we reviewed FDIC's compliance with the ADM at September 30, 1995, and we estimated recoveries for the assets in our samples through the December 31, 1995, financial statement date. Based on our work, we estimate that BIF's fund balance was overstated by about $266 million and FRF's accumulated deficit was understated by about $183 million. However, these amounts were not significant enough to materially misstate the 1995 financial statements.[14]

FDIC is currently making substantial changes to its asset valuation process. The new process is intended to provide for uniformity throughout the organization in estimating amounts to be recovered from failed financial institution assets and will rely heavily on statistical sampling procedures as well as economic and market assumptions. However, it will also rely heavily on available asset documentation in determining the appropriate assumptions to be used to develop recovery estimates. Consequently, in implementing this new asset valuation process, FDIC should ensure that the weaknesses we have identified with respect to the process used during 1995 are fully addressed.

2. FDIC has not strictly enforced adherence to its time and attendance reporting procedures. As in previous audits, our 1995 audits continued to identify deficiencies in adherence to required procedures in preparing time and attendance reports, separation of duties between timekeeping and data entry functions, and reconciliation of payroll reports to time cards. These weaknesses could adversely affect FDIC's ability to properly allocate expenses among the three funds.

In April 1996, FDIC began implementing a new process intended to streamline and improve time and attendance reporting. FDIC officials have indicated that the revised time and attendance process constitutes the initial steps in developing a fully automated system. However, while this revised process may result in some increased efficiencies, the new process, in and of itself, will not correct the deficiencies we identified during the past several years. Further improvements and ultimately a fully automated system may reduce the occurrence of weaknesses such as inadequate reconciliations and lack of separation of duties, but they offer no assurance that existing problems will be fully resolved. Given the longstanding nature of time and attendance reporting deficiencies and the failure of past efforts to fully satisfy our prior audits' recommendations to correct these deficiencies, it is critical that FDIC management strictly enforce adherence to current and future time and attendance reporting procedures.

3. We identified another weakness related to FDIC's electronic data processing controls during our 1995 audits which, due to its sensitive nature, is being communicated to FDIC management, along with our recommendations for corrective action, through separate correspondence.

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[14]In making this determination, we considered the needs of the users of BIF's and FRF's financial statements. In BIF's case, we considered the Fund balance to be the most significant component to the financial statement users, as the Fund balance reflects BIF's financial health and is a primary consideration in setting premium rates for insured member institutions. In FRF's case, we considered the Accumulated Deficit to be the most significant component to the financial statement users, as it reflects amounts to be funded from appropriations to liquidate the assets and contractual obligations of the defunct FSLIC. In this context, the misstatements we identified through our audits represent one-percent of BIF's $25.5 billion fund balance, and 0.4 percent of FRF's $43.4 billion Accumulated Deficit, respectively, at December 31, 1995. We also noted in FRF's case that the Fund's Resolution Equity at December 31, 1995, is more than sufficient to cover additional losses even were such losses to exceed the level of misstatement we identified in FRF's 1995 financial statements.

In addition to the weaknesses discussed above, we noted other less significant matters involving FDIC's system of internal accounting controls and its operations, which we will be reporting separately to FDIC.

RECOMMENDATIONS

To address weaknesses identified in this year's audits in the area of estimating recoveries for failed institution assets, we recommend that the Chairman of the Federal Deposit Insurance Corporation direct heads of the Division of Depositor and Asset Services and Division of Finance to

- ensure that field office personnel maintain complete and current documentation in asset files to provide a basis for assumptions used to derive asset recovery estimates and that the assumptions used are appropriately documented,
- ensure that supervisory reviews of asset recovery estimates are performed thoroughly and include a review of asset file documentation to identify and correct inaccurate or unsupported estimates, and
- establish and enforce procedures to ensure that recovery estimates are updated for information made available between the valuation date and the year-end financial statement reporting date.

CORPORATION COMMENTS
AND OUR EVALUATION

In commenting on a draft of this report, FDIC acknowledged that further improvements could be made to resolve weaknesses in its asset valuation process and is initiating a new process for estimating asset recoveries. FDIC expects this process to be in place for the 1996 annual financial statements. FDIC believes that this new process will address concerns regarding asset valuation methodology, documentation, management review, and timing differences. We will review FDIC's new asset valuation process as part of our 1996 financial audits.

FDIC also stated that it reviewed the assets sampled by us in our audits. FDIC noted that its own review found instances of noncompliance by FDIC personnel with the revised Asset Disposition Manual guidelines for estimating asset recoveries. FDIC stated that its review also found numerous instances in which GAO and FDIC were in complete or substantial agreement. FDIC concluded from its review that the revised asset recovery methodology was generally understood and that its staff, in general, properly prepared asset recovery estimates.

FDIC also stated that it believes its asset recovery estimates, in the aggregate, are reasonable. FDIC said that asset valuations often cannot be determined with precision, and that various reasonableness tests performed by FDIC staff support the position that both FDIC's asset recovery estimates as reflected in BIF's and FRF's 1995 financial statements and our estimates of the aggregate recovery value of the assets are reasonable. Thus, FDIC believes that there is no basis for asserting that either set of estimates is more accurate than the other.

We agree that estimating potential recoveries on failed institution assets is subject to some degree of uncertainty. It is this inherent uncertainty in the estimation process that makes strict adherence to a sound methodology critical to ensuring that reasonable estimates are derived for use in preparing the financial statements. Our estimates are based on a strict application of FDIC's revised methodology and include the impact on asset recovery potential of events through the financial statement reporting date. While certain analytical procedures, as applied by FDIC, may help to provide additional comfort as to the reasonableness of FDIC's official estimation process, they are not a substitute for a systematic, reasonable, and verifiable methodology.

As we discuss in this report, FDIC took significant steps during 1995 to address the deficiencies in its asset valuation methodology that we identified in previous audits. However, the level of compliance with the revised methodology was significantly deficient. We found that in over 41 percent of the assets we sampled, FDIC field office personnel did not comply with the revised methodology. This level of noncompliance coupled with the impact on asset recovery estimates of events subsequent to FDIC's valuation date but up to the financial statement reporting date resulted in differences in recovery estimates in about 89 percent of the assets we reviewed. FDIC's own review of the assets we sampled confirmed our audit findings. As we noted in this report, we believe the resulting level of misstatements were not significant enough to materially misstate BIF's and FRF's 1995 financial statements. However, they do illustrate the impact that weaknesses in controls over the asset valuation process can have on the financial statements.

FDIC also commented on initatives it has underway to address the deficiencies we identified in its time and attendance reporting and audit processes. FDIC believes these initiatives will facilitate the timely identification and correction of time and attendance related issues. In addition, FDIC noted that it is studying its current expense allocation and recovery methodologies and, as part of this undertaking, is developing methods that will reduce reliance on time and attendance reporting in determining expense allocations to funds and receiverships. FDIC noted that it is currently addressing weaknesses we identified in its electronic data processing controls.

FDIC also discussed other management initiatives it has underway to improve its operational effectiveness, including enhancements to its contracting oversight and a more corporatewide monitoring of internal control issues. FDIC noted that it has also established an audit committee to review the adequacy of the Corporation's internal controls and compliance with laws and regulations, and to review internal and external audit recommendations.

Charles A. Bowsher

Charles A. Bowsher
Comptroller General
of the United States

May 2, 1996

Statistical Tables

Number and Deposits of BIF-Insured Banks Closed Because of Financial Difficulties, 1934 through 1995[1]

(Dollars in Thousands)

	Number of Insured Banks			Deposits of Insured Banks			
Year	Total	Without disbursements by FDIC	With disbursements by FDIC	Total	Without disbursements by FDIC	With disbursements by FDIC	Assets
Total	2,075	19	2,056	$212,535,703	$4,298,814	$208,236,889	$252,378,929
1995	6	...	6	632,700	...	632,700	753,024
1994	13	1	12	1,236,488	...	1,236,488	1,392,140
1993	41	...	41	3,132,177	...	3,132,177	3,539,373
1992	120	10	110	41,150,898	4,257,667	36,893,231	44,197,009
1991	124	...	124	53,751,763	...	53,751,763	63,119,870
1990	168	...	168	14,473,300	...	14,473,300	15,660,800
1989	206	...	206	24,090,551	...	24,090,551	29,168,596
1988	200	...	200	24,931,302	...	24,931,302	35,697,789
1987	184	...	184	6,281,500	...	6,281,500	6,850,700
1986	138	...	138	6,471,100	...	6,471,100	6,991,600
1985	120	...	120	8,059,441	...	8,059,441	8,741,268
1984	79	...	79	2,883,162	...	2,883,162	3,276,411
1983	48	...	48	5,441,608	...	5,441,608	7,026,923
1982	42	...	42	9,908,379	...	9,908,379	11,632,415
1981	10	...	10	3,826,022	...	3,826,022	4,859,060
1980	10	...	10	216,300	...	216,300	236,164
1979	10	...	10	110,696	...	110,696	132,988
1978	7	...	7	854,154	...	854,154	994,035
1977	6	...	6	205,208	...	205,208	232,612
1976	16	...	16	864,859	...	864,859	1,039,293
1975	13	...	13	339,574	...	339,574	419,950
1974	4	...	4	1,575,832	...	1,575,832	3,822,596
1973	6	...	6	971,296	...	971,296	1,309,675
1972	1	...	1	20,480	...	20,480	22,054
1971	6	...	6	132,058	...	132,058	196,520
1970	7	...	7	54,806	...	54,806	62,147
1969	9	...	9	40,134	...	40,134	43,572
1968	3	...	3	22,524	...	22,524	25,154
1967	4	...	4	10,878	...	10,878	11,993
1966	7	...	7	103,523	...	103,523	120,647
1965	5	...	5	43,861	...	43,861	58,750
1964	7	...	7	23,438	...	23,438	25,849
1963	2	...	2	23,444	...	23,444	26,179
1962	1	1	0	3,011	3,011	0	N/A
1961	5	...	5	8,936	...	8,936	9,820
1960	1	...	1	6,930	...	6,930	7,506
1959	3	...	3	2,593	...	2,593	2,858
1958	4	...	4	8,240	...	8,240	8,905
1957	2	1	1	11,247	10,084	1,163	1,253
1956	2	...	2	11,330	...	11,330	12,914
1955	5	...	5	11,953	...	11,953	11,985
1954	2	...	2	998	...	998	1,138
1953	4	2	2	44,711	26,449	18,262	18,811
1952	3	...	3	3,170	...	3,170	2,388
1951	2	...	2	3,408	...	3,408	3,050
1950	4	...	4	5,513	...	5,513	4,005
1949	5	1	4	6,665	1,190	5,475	4,886
1948	3	...	3	10,674	...	10,674	10,360
1947	5	...	5	7,040	...	7,040	6,798
1946	1	...	1	347	...	347	351
1945	1	...	1	5,695	...	5,695	6,392
1944	2	...	2	1,915	...	1,915	2,098
1943	5	...	5	12,525	...	12,525	14,058
1942	20	...	20	19,185	...	19,185	22,254
1941	15	...	15	29,717	...	29,717	34,804
1940	43	...	43	142,430	...	142,430	161,898
1939	60	...	60	157,772	...	157,772	181,514
1938	74	...	74	59,684	...	59,684	69,513
1937	77	2	75	33,677	328	33,349	40,370
1936	69	...	69	27,508	...	27,508	31,941
1935	26	1	25	13,405	85	13,320	17,242
1934	9	...	9	1,968	...	1,968	2,661

[1] Does not include institutions insured by the Savings Association Insurance Fund (SAIF), which was established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

Recoveries and Losses by the Bank Insurance Fund on Disbursements for the Protection of Depositors, 1934 through 1995

(Dollars in Thousands)

ALL CASES[1]

Year	No. of banks	Disburse-ments	Recoveries	Estimated Additional Recoveries	Estimated Losses
Total	2,127	$104,293,099	$62,471,283	$4,955,024	$36,866,852
1995	6	717,799	342,039	271,347	104,413
1994	13	1,268,533	602,391	457,849	208,293
1993	41	1,767,530	1,032,190	80,824	654,516
1992	122	12,868,562	8,645,986	515,209	3,707,367
1991	127	20,638,267	14,083,129	518,492	6,036,646
1990	169	10,813,381	7,588,763	335,437	2,889,181
1989	207	11,445,033	4,712,930	517,216	6,214,947
1988	221	12,183,656	4,292,578	1,024,832	6,866,246
1987	203	5,037,871	2,976,052	34,258	2,027,561
1986	145	4,717,669	2,980,561	9,317	1,727,791
1985	120	2,920,886	1,701,751	211,568	1,007,567
1984	80	7,696,215	5,506,306	554,730	1,635,179
1983	48	3,768,020	2,240,432	102,630	1,424,958
1982	42	2,275,150	829,794	276,417	1,168,939
1981	10	888,999	69,326	37,895	781,778
1980	11	152,355	114,760	7,003	30,592
1934-79 [3]	562	5,133,173	4,752,295	0	380,878

Deposit payoff cases[2]

Year	No. of banks	Disburse-ments	Recoveries	Estimated Additional Recoveries	Estimated Losses
Total	602	$14,463,350	$8,544,410	$1,386,592	$4,532,348
1995	0	0	0	0	0
1994	0	0	0	0	0
1993	5	271,452	165,259	4,257	101,936
1992	24	1,786,457	999,875	279,511	507,071
1991	21	1,468,407	667,688	314,661	486,058
1990	20	2,182,583	1,150,882	293,309	738,392
1989	32	2,116,556	889,604	413,169	813,783
1988	36	1,252,160	804,053	17,269	430,838
1987	51	2,103,792	1,371,012	26,455	706,325
1986	40	1,155,981	732,810	5,824	417,347
1985	29	523,789	407,408	3,589	112,792
1984	16	791,838	670,935	28,548	92,355
1983	9	148,423	122,484	0	25,939
1982	7	277,240	205,879	0	71,361
1981	2	35,736	34,598	0	1,138
1980	3	13,732	11,515	0	2,217
1934-79 [3]	307	335,204	310,408	0	24,796

Deposit assumption cases

Year	No. of banks	Disburse-ments	Recoveries	Estimated Additional Recoveries	Estimated Losses
Total	1,444	$79,010,316	$49,192,315	$2,669,180	$27,148,821
1995	6	717,799	342,039	271,347	104,413
1994	13	1,268,533	602,391	457,849	208,293
1993	36	1,496,078	866,931	76,567	552,580
1992	96	11,081,031	7,645,911	235,233	3,199,887
1991	103	19,164,135	13,414,895	201,763	5,547,477
1990	148	8,628,265	6,437,799	42,034	2,148,432
1989	174	9,326,075	3,823,266	103,963	5,398,846
1988	164	9,180,495	3,334,299	1,005,285	4,840,911
1987	133	2,773,202	1,604,327	7,803	1,161,072
1986	98	3,402,840	2,186,319	3,493	1,213,028
1985	87	1,631,365	990,262	105,384	535,719
1984	62	1,373,198	940,375	1,298	431,525
1983	36	3,533,179	2,099,741	98,488	1,334,950
1982	25	418,321	325,165	13,775	79,381
1981	5	79,208	33,463	37,895	7,850
1980	7	138,623	103,245	7,003	28,375
1934-79 [3]	251	4,797,969	4,441,887	0	356,082

Assistance transactions[1]

Year	No. of banks	Disburse-ments	Recoveries	Estimated Additional Recoveries	Estimated Losses
Total	81	$10,819,433	$4,734,558	$899,252	$5,185,683
1995	0	0	0	0	0
1994	0	0	0	0	0
1993	0	0	0	0	0
1992	2	1,074	200	465	409
1991	3	5,725	546	2,068	3,111
1990	1	2,533	82	94	2,357
1989	1	2,402	60	84	2,318
1988	21	1,751,001	154,226	2,278	1,594,497
1987	19	160,877	713	0	160,164
1986	7	158,848	61,432	0	97,416
1985	4	765,732	304,081	102,595	359,056
1984	2	5,531,179	3,894,996	524,884	1,111,299
1983	3	86,418	18,207	4,142	64,069
1982	10	1,579,589	298,750	262,642	1,018,197
1981	3	774,055	1,265	0	772,790
1980	1	N/A	N/A	N/A	N/A
1934-79 [3]	4	0	0	0	0

[1] Totals do not include dollar amounts for five open bank assistance transactions between 1971 and 1980. Excludes eight transactions prior to 1962 that required no disbursements.

[2] Includes insured deposit transfer cases.

[3] For detail of years 1934 through 1979, refer to Table C of the 1994 Annual Report.

Income and Expenses, Bank Insurance Fund, by Year, from Beginning of Operations, September 11, 1933, through December 31, 1995

(Dollars in Millions)

	Income					Expenses and Losses			
Year	Total	Assessment Income	Assessment Credits	Investment and Other Sources	Effective Assessment Rate[1]	Total	Deposit Insurance Losses and Expenses	Administrative and Operating Expenses	Net Income/ (Loss)
Total	$72,717.7	$53,015.3	$6,709.1	$26,411.5		$47,264.0	$42,021.8	$5,242.2	$25,453.7
1995	4,089.1	2,906.9	0.0	1,182.2	0.1240%	483.2	12.6	470.6	3,605.9
1994	6,467.0	5,590.6	0.0	876.4	0.2360%	(2,259.1)	(2,682.3)	423.2	8,726.1
1993	6,430.8	5,784.3	0.0	646.5	0.2440%	(6,791.4)	(7,179.9)	388.5	13,222.2
1992	6,301.5	5,587.8	0.0	713.7	0.2300%	(625.8)	(1,196.6)	570.8	6,927.3
1991	5,789.9	5,160.5	0.0	629.4	0.2125%	16,862.3	16,578.2	284.1	(11,072.4)
1990	3,838.3	2,855.3	0.0	983.0	0.1200%	13,003.3	12,783.7	219.6	(9,165.0)
1989	3,494.6	1,885.0	0.0	1,609.6	0.0833%	4,346.2	4,132.3	213.9	(851.6)
1988	3,347.7	1,773.0	0.0	1,574.7	0.0833%	7,588.4	7,364.5	223.9	(4,240.7)
1987	3,319.4	1,696.0	0.0	1,623.4	0.0833%	3,270.9	3,066.0	204.9	48.5
1986	3,260.1	1,516.9	0.0	1,743.2	0.0833%	2,963.7	2,783.4	180.3	296.4
1985	3,385.4	1,433.4	0.0	1,952.0	0.0833%	1,957.9	1,778.7	179.2	1,427.5
1984	3,099.5	1,321.5	0.0	1,778.0	0.0800%	1,999.2	1,848.0	151.2	1,100.3
1983	2,628.1	1,214.9	164.0	1,577.2	0.0714%	969.9	834.2	135.7	1,658.2
1982	2,524.6	1,108.9	96.2	1,511.9	0.0769%	999.8	869.9	129.9	1,524.8
1981	2,074.7	1,039.0	117.1	1,152.8	0.0714%	848.1	720.9	127.2	1,226.6
1980	1,310.4	951.9	521.1	879.6	0.0370%	83.6	(34.6)	118.2	1,226.8
1979	1,090.4	881.0	524.6	734.0	0.0333%	93.7	(13.1)	106.8	996.7
1978	952.1	810.1	443.1	585.1	0.0385%	148.9	45.6	103.3	803.2
1977	837.8	731.3	411.9	518.4	0.0370%	113.6	24.3	89.3	724.2
1976	764.9	676.1	379.6	468.4	0.0370%	212.3	31.9	180.4	552.6
1975	689.3	641.3	362.4	410.4	0.0357%	97.5	29.8	67.7	591.8
1974	668.1	587.4	285.4	366.1	0.0435%	159.2	100.0	59.2	508.9
1973	561.0	529.4	283.4	315.0	0.0385%	108.2	53.8	54.4	452.8
1972	467.0	468.8	280.3	278.5	0.0333%	59.7	10.1	49.6	407.3
1971	415.3	417.2	241.4	239.5	0.0345%	60.3	13.4	46.9	355.0
1970	382.7	369.3	210.0	223.4	0.0357%	46.0	3.8	42.2	336.7
1969	335.8	364.2	220.2	191.8	0.0333%	34.5	1.0	33.5	301.3
1968	295.0	334.5	202.1	162.6	0.0333%	29.1	0.1	29.0	265.9
1967	263.0	303.1	182.4	142.3	0.0333%	27.3	2.9	24.4	235.7
1966	241.0	284.3	172.6	129.3	0.0323%	19.9	0.1	19.8	221.1
1965	214.6	260.5	158.3	112.4	0.0323%	22.9	5.2	17.7	191.7
1964	197.1	238.2	145.2	104.1	0.0323%	18.4	2.9	15.5	178.7
1963	181.9	220.6	136.4	97.7	0.0313%	15.1	0.7	14.4	166.8
1962	161.1	203.4	126.9	84.6	0.0313%	13.8	0.1	13.7	147.3
1961	147.3	188.9	115.5	73.9	0.0323%	14.8	1.6	13.2	132.5
1960	144.6	180.4	100.8	65.0	0.0370%	12.5	0.1	12.4	132.1
1959	136.5	178.2	99.6	57.9	0.0370%	12.1	0.2	11.9	124.4
1958	126.8	166.8	93.0	53.0	0.0370%	11.6	0.0	11.6	115.2
1957	117.3	159.3	90.2	48.2	0.0357%	9.7	0.1	9.6	107.6
1956	111.9	155.5	87.3	43.7	0.0370%	9.4	0.3	9.1	102.5
1955	105.8	151.5	85.4	39.7	0.0370%	9.0	0.3	8.7	96.8
1954	99.7	144.2	81.8	37.3	0.0357%	7.8	0.1	7.7	91.9
1953	94.2	138.7	78.5	34.0	0.0357%	7.3	0.1	7.2	86.9
1952	88.6	131.0	73.7	31.3	0.0370%	7.8	0.8	7.0	80.8
1951	83.5	124.3	70.0	29.2	0.0370%	6.6	0.0	6.6	76.9
1950	84.8	122.9	68.7	30.6	0.0370%	7.8	1.4	6.4	77.0
1949	151.1	122.7	0.0	28.4	0.0833%	6.4	0.3	6.1	144.7
1948	145.6	119.3	0.0	26.3	0.0833%	7.0	0.7	6.3	138.6
1947	157.5	114.4	0.0	43.1	0.0833%	9.9	0.1	9.8	147.6
1946	130.7	107.0	0.0	23.7	0.0833%	10.0	0.1	9.9	120.7
1945	121.0	93.7	0.0	27.3	0.0833%	9.4	0.1	9.3	111.6
1944	99.3	80.9	0.0	18.4	0.0833%	9.3	0.1	9.2	90.0
1943	86.6	70.0	0.0	16.6	0.0833%	9.8	0.2	9.6	76.8
1942	69.1	56.5	0.0	12.6	0.0833%	10.1	0.5	9.6	59.0
1941	62.0	51.4	0.0	10.6	0.0833%	10.1	0.6	9.5	51.9
1940	55.9	46.2	0.0	9.7	0.0833%	12.9	3.5	9.4	43.0
1939	51.2	40.7	0.0	10.5	0.0833%	16.4	7.2	9.2	34.8
1938	47.7	38.3	0.0	9.4	0.0833%	11.3	2.5	8.8	36.4
1937	48.2	38.8	0.0	9.4	0.0833%	12.2	3.7	8.5	36.0
1936	43.8	35.6	0.0	8.2	0.0833%	10.9	2.6	8.3	32.9
1935	20.8	11.5	0.0	9.3	0.0833%	11.3	2.8	8.5	9.5
1933-34	7.0	0.0	0.0	7.0	N/A	10.0	0.2	9.8	(3.0)

[1] The effective rates from 1950 through 1984 vary from the statutory rate of 0.0833 percent due to assessment credits provided in those years. The statutory rate increased to 0.12 percent in 1990 and to a minimum of 0.15 percent in 1991. The effective rates in 1991 and 1992 vary because the FDIC exercised new authority to increase assessments above the statutory rate when needed. Beginning in 1993, the effective rate is based on a risk-related premium system under which institutions pay assessments in the range of 0.23 percent to 0.31 percent. In May 1995, the BIF reached the mandatory recapitalization level of 1.25%. As a result, the assessment rate was reduced to 4.4 cents per $100 of insured deposits and assessment premiums totaling $1.5 billion were refunded in September.

Insured Deposits and the Bank Insurance Fund, December 31, 1934, through 1995

Year[1]	Insurance Coverage	(Dollars in Millions) Deposits in Insured Banks: Total	Deposits in Insured Banks: Insured[2]	Percentage of Insured Deposits	Deposit Insurance Fund	Insurance Fund as a Percentage of Total Deposits	Insurance Fund as a Percentage of Insured Deposits
1995	$100,000	$2,576,581	$1,952,543	75.8	$25,453.7	0.99	1.30
1994	100,000	2,463,813	1,896,060	77.0	21,847.8	0.89	1.15
1993	100,000	2,493,636	1,906,885	76.5	13,121.6	0.53	0.69
1992	100,000	2,512,278	1,945,623	77.4	(100.6)	(0.00)	(0.01)
1991	100,000	2,520,074	1,957,722	77.7	(7,027.9)	(0.28)	(0.36)
1990	100,000	2,540,930	1,929,612	75.9	4,044.5	0.16	0.21
1989	100,000	2,465,922	1,873,837	76.0	13,209.5	0.54	0.70
1988	100,000	2,330,768	1,750,259	75.1	14,061.1	0.60	0.80
1987	100,000	2,201,549	1,658,802	75.3	18,301.8	0.83	1.10
1986	100,000	2,167,596	1,634,302	75.4	18,253.3	0.84	1.12
1985	100,000	1,974,512	1,503,393	76.1	17,956.9	0.91	1.19
1984	100,000	1,806,520	1,389,874	76.9	16,529.4	0.92	1.19
1983	100,000	1,690,576	1,268,332	75.0	15,429.1	0.91	1.22
1982	100,000	1,544,697	1,134,221	73.4	13,770.9	0.89	1.21
1981	100,000	1,409,322	988,898	70.2	12,246.1	0.87	1.24
1980	100,000	1,324,463	948,717	71.6	11,019.5	0.83	1.16
1979	40,000	1,226,943	808,555	65.9	9,792.7	0.80	1.21
1978	40,000	1,145,835	760,706	66.4	8,796.0	0.77	1.16
1977	40,000	1,050,435	692,533	65.9	7,992.8	0.76	1.15
1976	40,000	941,923	628,263	66.7	7,268.8	0.77	1.16
1975	40,000	875,985	569,101	65.0	6,716.0	0.77	1.18
1974	40,000	833,277	520,309	62.5	6,124.2	0.73	1.18
1973	20,000	766,509	465,600	60.7	5,615.3	0.73	1.21
1972	20,000	697,480	419,756	60.2	5,158.7	0.74	1.23
1971	20,000	610,685	374,568	61.3	4,739.9	0.78	1.27
1970	20,000	545,198	349,581	64.1	4,379.6	0.80	1.25
1969	20,000	495,858	313,085	63.1	4,051.1	0.82	1.29
1968	15,000	491,513	296,701	60.2	3,749.2	0.76	1.26
1967	15,000	448,709	261,149	58.2	3,485.5	0.78	1.33
1966	15,000	401,096	234,150	58.4	3,252.0	0.81	1.39
1965	10,000	377,400	209,690	55.6	3,036.3	0.80	1.45
1964	10,000	348,981	191,787	55.0	2,844.7	0.82	1.48
1963	10,000	313,304	177,381	56.6	2,667.9	0.85	1.50
1962	10,000	297,548	170,210	57.2	2,502.0	0.84	1.47
1961	10,000	281,304	160,309	57.0	2,353.8	0.84	1.47
1960	10,000	260,495	149,684	57.5	2,222.2	0.85	1.48
1959	10,000	247,589	142,131	57.4	2,089.8	0.84	1.47
1958	10,000	242,445	137,698	56.8	1,965.4	0.81	1.43
1957	10,000	225,507	127,055	56.3	1,850.5	0.82	1.46
1956	10,000	219,393	121,008	55.2	1,742.1	0.79	1.44
1955	10,000	212,226	116,380	54.8	1,639.6	0.77	1.41
1954	10,000	203,195	110,973	54.6	1,542.7	0.76	1.39
1953	10,000	193,466	105,610	54.6	1,450.7	0.75	1.37
1952	10,000	188,142	101,841	54.1	1,363.5	0.72	1.34
1951	10,000	178,540	96,713	54.2	1,282.2	0.72	1.33
1950	10,000	167,818	91,359	54.4	1,243.9	0.74	1.36
1949	5,000	156,786	76,589	48.8	1,203.9	0.77	1.57
1948	5,000	153,454	75,320	49.1	1,065.9	0.69	1.42
1947	5,000	154,096	76,254	49.5	1,006.1	0.65	1.32
1946	5,000	148,458	73,759	49.7	1,058.5	0.71	1.44
1945	5,000	157,174	67,021	42.4	929.2	0.59	1.39
1944	5,000	134,662	56,398	41.9	804.3	0.60	1.43
1943	5,000	111,650	48,440	43.4	703.1	0.63	1.45
1942	5,000	89,869	32,837	36.5	616.9	0.69	1.88
1941	5,000	71,209	28,249	39.7	553.5	0.78	1.96
1940	5,000	65,288	26,638	40.8	496.0	0.76	1.86
1939	5,000	57,485	24,650	42.9	452.7	0.79	1.84
1938	5,000	50,791	23,121	45.5	420.5	0.83	1.82
1937	5,000	48,228	22,557	46.8	383.1	0.79	1.70
1936	5,000	50,281	22,330	44.4	343.4	0.68	1.54
1935	5,000	45,125	20,158	44.7	306.0	0.68	1.52
1934[3]	5,000	40,060	18,075	45.1	291.7	0.73	1.61

[1] Starting in 1990, deposits in insured banks exclude those deposits held by Bank Insurance Fund members that are covered by the Savings Association Insurance Fund.

[2] Insured deposits are estimated based on deposit information submitted in the December 31 Call Reports (quarterly Reports of Condition and Income) and Thrift Financial Reports submitted by insured institutions. Before 1991, insured deposits were estimated using percentages determined from the June 30 Call Reports.

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

BIF- Insured Banks Closed During 1995

(Dollars in Thousands)

Name and Location	Bank Class	Number of Deposit Accounts	Total Assets	Total Deposits	FDIC Disburse-ments	Estimated Loss[1]	Date of Closing or Acquisition	Receiver/ Assuming Bank and Location
Purchase and Assumption - Insured Deposits Only								
Guardian Bank Los Angeles, CA	SM	4,700	$277,013	$193,600	$262,693	$27,574	01/20/95	Imperial Bank Los Angeles, CA
First Trust Bank Ontario, CA	NM	26,200	217,814	197,200	211,410	23,007	03/03/95	First Interstate Bank of California Los Angeles, CA
Los Angeles Thrift and Loan Company Los Angeles, CA	NM	451	21,449	21,900	21,327	5,932	03/31/95	California Federal Bank, FSB Los Angeles, CA
Bank USA, N.A. Kihei, HI	N	1,000	9,361	8,900	9,165	1,600	05/19/95	Hawaii National Bank Honolulu, HI
Founders Bank New Haven, CT	NM	5,000	76,279	72,700	74,595	9,000	07/28/95	Centerbank Waterbury, CT
Pacific Heritage Bank Los Angeles, CA	NM	10,300	151,108	138,400	138,609	37,300	07/28/95	California Federal Bank, FSB Los Angeles, CA

Codes for Bank Class: **SM** State-chartered bank that is a member of the Federal Reserve System.
NM State-chartered bank that is **not** a member of the Federal Reserve System.
N National bank.

[1] Estimated losses are as of 12/31/95. Estimated losses are routinely adjusted with updated information from new appraisals and asset sales, which ultimately affect the asset values and projected recoveries.

Income and Expenses, Savings Association Insurance Fund, by Year, from Beginning of Operations, August 9, 1989, through December 31, 1995

(Dollars in Thousands)

	Income				Expenses and Losses					
Year	Total	Assessment Income	Investment and Other Sources	Effective Assessment Rate	Total	Provision for Losses	Interest Expenses	Administrative and Operating Expenses	Funding Transfer from the FSLIC Resolution Fund	Net Income/ (Loss)
Total	$3,572,007	$3,283,625	$288,382		$353,658	$114,700	$604	$238,354	$139,498	$3,357,847
1995	1,139,916	970,027	169,889	0.234%	(281,216)	(321,000)	0	39,784	0	1,421,132
1994	1,215,289	1,132,102	83,187	0.244%	434,303	414,000	0	20,303	0	780,986
1993	923,516	897,692	25,824	0.250%	46,814	16,531	0	30,283	0	876,702
1992	178,643	172,079	6,564	0.230%	28,982	(14,945)	(5)	43,932	35,446	185,107
1991	96,446	93,530	2,916	0.230%	63,085	20,114	609	42,362	42,362	75,723
1990	18,195	18,195	0	0.208%	56,088	0	0	56,088	56,088	18,195
1989	2	0	2	0.208%	5,602	0	0	5,602	5,602	2

Insured Deposits and the Savings Association Insurance Fund, December 31, 1989, through 1995

		(Dollars in Millions)				Insurance Fund as a Percentage of	
		Deposits in Insured Institutions					
Year[1]	Insurance Coverage	Total	Insured[2]	Percentage of Insured Deposits	Deposit Insurance Fund	Total Deposits	Insured Deposits
1995	$100,000	$742,467	$711,017	95.8	$3,357.8	0.45	0.47
1994	100,000	720,823	692,626	96.1	1,936.7	0.27	0.28
1993	100,000	726,473	695,158	95.7	1,155.7	0.16	0.17
1992	100,000	760,902	729,458	95.9	279.0	0.04	0.04
1991	100,000	810,664	776,351	95.8	93.9	0.01	0.01
1990	100,000	874,738	830,028	94.9	18.2	0.00	0.00
1989	100,000	948,144	882,920	93.1	0.0	0.00	0.00

[1] Starting in 1990, deposits in insured institutions exclude those deposits held by Savings Association Insurance Fund members that are covered by the Bank Insurance Fund.

[2] Insured deposits are estimated based on deposit information submitted in the December 31 Call Reports (quarterly Reports of Condition and Income) and Thrift Financial Reports submitted by insured institutions. Before 1991, insured deposits were estimated using percentages determined from the June 30 Call Reports.

For More Information

Sources of Information

For a listing of Regional Offices that also are sources of information, see Pages 116 and 117.

Public Information Center

801 17th Street, NW
Washington, DC 20434

Phone:	202-416-6940
Fax:	202-416-2076
Internet:	publicinfo@fdic.gov

A variety of FDIC publications, press releases, speeches and Congressional testimony, directives to financial institutions and other documents is available through the Public Information Center. These documents include the *Quarterly Banking Profile, Statistics on Banking* and a variety of consumer pamphlets.

Division of Compliance and Consumer Affairs

550 17th Street, NW
Washington, DC 20429

Phone:	800-934-3342 or 202-942-3100
Fax:	202-942-3429 or 202-942-3427
Internet:	consumer@fdic.gov

The Division of Compliance and Consumer Affairs responds to questions about deposit insurance and other consumer issues and concerns, and also offers a number of publications geared to consumers.

Office of the Ombudsman

550 17th Street, NW
Washington, DC 20429

Phone:	800-250-9286 or 202-942-3500
Fax:	202-942-3040 or 202-942-3041
Internet:	ombudsman@fdic.gov

The Office of the Ombudsman answers general questions and responds to concerns about FDIC operations.

Home Page on the Internet

World Wide Web:
http://www.fdic.gov

The FDIC's "gopher" address:
gopher.fdic.gov

A wide range of banking and financial information, including the FDIC's *Quarterly Banking Profile* and *Statistics on Banking*, is available on the FDIC's Home Page on the Internet. Readers can also access FDIC press releases, recently delivered speeches, and other updates on FDIC activities.

Regional Offices

Division of Supervision (DOS) / Division of Compliance and Consumer Affairs (DCA)

Atlanta

1201 West Peachtree Street, NE
Suite 1600
Atlanta, Georgia 30309
404-817-1300

Alabama, Florida, Georgia, North Carolina, South Carolina, Virginia, West Virginia

Dallas

1910 Pacific Avenue
Suite 1900
Dallas, Texas 75201
214-220-3342

Colorado, New Mexico, Oklahoma, Texas

New York

452 Fifth Avenue
19th Floor
New York, New York 10018
212-704-1200

Delaware, District of Columbia, Maryland, New Jersey, New York, Pennsylvania, Puerto Rico, Virgin Islands

Boston

200 Lowder Brook Drive
Suite 3100
Westwood, Massachusetts 02090
617-320-1600

Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

Kansas City

2345 Grand Avenue
Suite 1500
Kansas City, Missouri 64108
816-234-8000

Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

San Francisco

25 Ecker Street
Suite 2300
San Francisco, California 94105
415-546-0160

Alaska, Arizona, California, Guam, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, Washington, Wyoming

Chicago

500 West Monroe Street
Suite 3600
Chicago, Illinois 60661
312-382-7500

Illinois, Indiana, Michigan, Ohio, Wisconsin

Memphis

5100 Poplar Avenue
Suite 1900
Memphis, Tennessee 38137
901-685-1603

Arkansas, Kentucky, Louisiana, Mississippi, Tennessee

DOS: Examines and supervises state-chartered banks that are not members of the Federal Reserve System. Provides information about sound banking practices.

DCA: Examines FDIC-supervised banks for compliance with consumer protection laws. Informs bankers and the public about deposit insurance and other consumer protections.

Division of Depositor and Asset Services (DAS) / Office of the Ombudsman (OO)

Northeast Service Center

101 East River Drive
East Hartford, Connecticut 06108
860-291-4000 (DAS)
860-291-4500/800-873-7785 (OO)

Connecticut
Maine
Massachusetts
New Hampshire
New Jersey
New York
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Puerto Rico
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Vermont
Virgin Islands

Southeast Service Center

1201 West Peachtree Street, NE
Suite 1800
Atlanta, Georgia 30309
404-817-2500 (DAS)
404-817-8990/800-765-3342 (OO)

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Southwest Service Center

5080 Spectrum Drive
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Dallas, Texas 75248
214-991-0039 (DAS)

1910 Pacific Avenue
Suite 1404
Dallas, Texas 75201
214-754-6100/800-568-9161(OO)

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500 West Monroe
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Chicago, Illinois 60661
312-382-6000 (DAS)
312-382-5700/800-944-5343 (OO)

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Western Service Center

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Irvine, California 92614
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714-263-7600/800-756-3558 (OO)

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Wyoming

DAS: Makes payments to a closed institution's depositors and creditors, and performs other duties related to failed institutions. Answers questions about buying assets or filing claims.

OO: A neutral, independent advocate of fairness in FDIC policies and programs. Responds to questions or concerns from the public, the banking industry and FDIC employees.

Major Speeches and Testimony by Chairman Helfer

Text of these and other statements are available from the Public Information Center listed on Page 115.

Speeches

February 14

To the Independent Bankers Association of America, on the health of the banking industry, projections for the Bank Insurance Fund (BIF), and an FDIC proposal to lower BIF premiums.

March 15

To the Exchequer Club, on the need for solutions for the Savings Association Insurance Fund (SAIF) and the possible migration of SAIF-insured deposits to the BIF.

October 10

To the American Bankers Association, on the FDIC's drive to boost efficiency, cut costs, reduce staff and retool the Corporation for the future.

October 31

To America's Community Bankers, on steps by the FDIC to adapt to changes in the financial services industry, including efforts to improve cost-efficiencies and reduce regulatory burdens.

Congressional Testimony

February 28

Before the House Committee on Banking and Financial Services, on legislation that would repeal Glass-Steagall Act restrictions on the securities activities of commercial banks.

March 8

Before the House Committee on Banking and Financial Services' Subcommittee on Financial Institutions and Consumer Credit, on the FDIC's support for an interagency proposal to improve enforcement of the Community Reinvestment Act.

March 23

Before the House Committee on Banking and Financial Services' Subcommittee on Financial Institutions and Consumer Credit, on the condition of the BIF and SAIF.

May 2

Before the Senate Committee on Banking, Housing and Urban Affairs' Subcommittee on Financial Institutions and Regulatory Relief, on the FDIC's efforts to reduce regulatory burdens and provisions of regulatory reform legislation that the FDIC supports.

July 28

Before the Senate Committee on Banking, Housing and Urban Affairs, on problems facing the SAIF and FDIC recommendations to solve those problems.

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