Annual Report 2000

Federal Deposit Insurance Corporation

Each Depositor Insured to $100,000

FDIC

FEDERAL DEPOSIT INSURANCE CORPORATION

Safeguarding America's Future

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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.

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...to maintain stability and public confidence

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Federal Deposit Insurance Corporation
Washington, DC 20429-9990

Office of the Chairman

May 31, 2001

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 2000.

Sincerely,

Donna Tanoue
Chairman

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

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Table of Contents

- **Chairman's Statement** **2**
- **Board of Directors** **4**
- **2000–The Year of Deposit Insurance** **8**
- **Operations of the Corporation–The Year in Review**
  - Overview of the Industry and the Deposit Insurance Funds 14
  - Responding to Emerging Risks 16
  - Technology 18
  - Gramm-Leach-Bliley Act 19
  - Diversity Initiatives 20
- **Financial Statements**
  - Bank Insurance Fund (BIF) 25
  - Savings Association Insurance Fund (SAIF) 45
  - FSLIC Resolution Fund (FRF) 63
- **Key Statistics** **89**
- **Resources**
  - Organization Chart/Officials 102
  - Corporate Staffing 103
  - Sources of Information 104
  - Regional Offices 105
- **Index** **106**

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Chairman's Statement

FDIC Chairman
Donna Tanoue

James Kegley

In good times and in bad times, the public can depend on federal deposit insurance. The men and women of the Federal Deposit Insurance Corporation know that our mission is safeguarding America's future. The seal on the door of every FDIC-insured institution represents our pledge that federal deposit insurance is one certainty in an uncertain world.

Deposit insurance has served America well. In 1999, the FDIC began a comprehensive review of the deposit insurance system to make sure that it continues to serve America well–and to explore ways that it might be strengthened. For more than a year, we have analyzed the system's weaknesses and how to address them. This Annual Report begins with an essay discussing the results of that analysis and our recommendations for change, which we issued in April 2001. These recommendations address a number of unintentional flaws in the current system.

For example, the way we price insurance now has a potential procyclical bias that could undermine economic and financial stability. We recommend changing the way we charge for insurance, not to raise revenue, but to allocate costs more evenly over time, and more fairly among institutions, based on risk and expected loss.

Bank failures are likely to come in waves, along with serious downturns in the economy. Under our present system, however, banks are likely to be faced with steep increases in deposit insurance premiums in an economic downturn when their earnings are already depressed. Such premiums would divert billions of dollars out of the banking system and would raise the cost of gathering deposits at a time when credit would already be tight. This, in turn, could cause a further cutback in credit, resulting in a further slowdown of economic activity at precisely the wrong time in the business cycle. By contrast, when the economy and the banking system are strong, as at the present time, most banks are paying no premiums at all.

This anomaly results from existing legal restrictions on insurance premiums tied to the size of the deposit insurance fund. Currently, the FDIC is required to maintain its deposit insurance fund at a statutorily designated reserve ratio of 1.25 percent of estimated insured deposits. When the fund is at or above this ratio, the FDIC is constrained from charging premiums to most highly rated, well-capitalized institutions. Currently, over 90 percent of the institutions pay no premiums for deposit insurance. But when the fund is below 1.25 percent, the law requires premiums to be increased sharply unless the fund would otherwise be restored to the 1.25 percent level within one year.

Therefore, we are recommending that the FDIC have greater flexibility in charging premiums over the business cycle to smooth premium swings over time. In order not to distort incentives, these premiums should be priced as accurately as possible to reflect expected loss, and should not be dependent on the size of the fund. To avoid enormous growth of the deposit insurance fund during long stretches of good years, it may be prudent to give rebates to insured institutions. Because basing rebates on current deposit levels would exacerbate moral hazard–the faster you grow, the larger the rebate–we are also recommending that rebates be based on the past contributions of insured institutions to the fund.

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"In good times and in bad times, the public can depend on federal deposit insurance."

The net effect of these recommendations is that there would be billions of additional dollars available to the banking industry to help fuel economic growth at the trough of the business cycle, and insurance premiums would more closely reflect risk, ending subsidization of riskier institutions by safer ones.

Our recommendations could not come at a better time, positioned as we are between a past of unprecedented prosperity and an uncertain future. The past decade of economic expansion has contributed to a strong, well-capitalized banking industry. Both the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) are fully capitalized. The numbers of troubled institutions and of bank failures are very low by historical standards. Experience teaches, however, that good times do not last forever. And–as the year 2000 drew to a close–signs of stress in the economy were emerging, casting doubt on the ability of banks to sustain recent growth rates in the face of softening loan demand. When bad times return, more banks will fail. If banks fail in greater numbers, the BIF and the SAIF will decline.

Our recommendations for deposit insurance reform will eliminate inequities, making the deposit insurance system stronger and fairer. By providing certainty and stability in the future, they will ensure that the system will continue to serve the American public well.

To enjoy these benefits, however, we need to reform the deposit insurance system while the industry is strong and the overwhelming majority of institutions remain healthy. We have a good opportunity to act now. No one can say how long that opportunity will remain open.

As the Commissioner for Financial Institutions for the State of Hawaii, I saw runs on financial institutions. I witnessed how fragile public confidence can be without the certainty that federal deposit insurance brings.

After nearly three years as FDIC Chairman, now more than ever I am convinced of the importance of federal deposit insurance and the need for the Corporation to advocate the recommendations we have proposed.

For me personally, it continues to be a great honor and privilege to serve the public as FDIC Chairman, and to work shoulder to shoulder with the men and women of the FDIC.

Aside from developing the most far reaching proposals for deposit insurance reform since our founding, we worked together in 2000 to address the risks of subprime lending by banks. We initiated important proposals to address the problems of predatory and payday lending. We called for an early reexamination of the Community Reinvestment Act. And we advanced the public debate on the need for greater simplicity in bank capital regulation–all this in addition to sounding the appropriate safety and soundness alarms.

The Annual Reports of many organizations include a recognition of how the success of the organization rests on the hard work and dedication of its employees, but in no case is that truer than in our own. Many things set the FDIC apart, but nothing stands out more than the commitment of our men and women to the Corporation's mission and their performance in accomplishing it, many times under harsh conditions. Time and time again duty calls. Every time it does, the men and women of the Corporation answer.

In my years as FDIC Chairman, nothing brought greater pleasure and satisfaction than working with my colleagues on the Board and throughout the Corporation–and with so many leaders of the financial services industry. I feel privileged and honored to have had that opportunity.

I also want to thank Andrew "Skip" Hove, Jr., for the many years he gave to public service as Vice Chairman of the FDIC from 1990 until his retirement in January, 2001. During those years, Skip served as Acting Chairman three times and he ably guided the Corporation through some of the more difficult times it has faced. I salute Skip for all he has done on behalf of the FDIC and the American people. In addition, I want to wish John Reich, FDIC Director, and Don Powell, the nominee for FDIC Chairman, all the best as they take the reins–and the future–of the Corporation into their hands. There is no better place to serve America.

Donna Tanoue
Chairman
May, 2001

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Board of Directors

FDIC Board of Directors: Donna Tanoue (seated), John D. Hawke, Jr., Ellen Seidman, Andrew C. Hove, Jr. (standing left to right)

James Kegley

Donna Tanoue

Donna Tanoue took office as the 17th Chairman of the Federal Deposit Insurance Corporation on May 26, 1998.

Chairman Tanoue has led the FDIC on the most significant reevaluation of its mission since the agency was created in 1933: reforming deposit insurance to make the system fairer, more effective and more secure. She has also focused the attention of the Corporation–and the public–on emerging risks in the financial institutions industry and has initiated effective safeguards to assure safety and soundness in a wide range of banking activities, from subprime lending to on-line banking. In addition, she has advanced proposals to protect consumers from predatory lending and address problems in payday lending.

Before she became FDIC Chairman, Ms. Tanoue was a partner in the Hawaii law firm of Goodsill Anderson Quinn & Stifel, which she joined in 1987. She specialized in banking, real estate finance, and government affairs.

From 1983 to 1987, Ms. Tanoue was Commissioner for Financial Institutions for the State of Hawaii. In that post, she was the primary state regulator for state-chartered banks, savings and loan associations, trust companies, industrial loan companies, credit unions, and escrow depository companies. She also served as Special Deputy Attorney General to the Department of Commerce and Consumer Affairs for the State of Hawaii from 1981 to 1983.

Ms. Tanoue received a J.D. from Georgetown University Law Center in 1981 and a B.A. from the University of Hawaii in 1977.

Andrew C. Hove, Jr.

Mr. Hove was appointed to his second term as Vice Chairman of the FDIC in 1994. His first term as Vice Chairman began in 1990. Since 1991, Mr. Hove has served as Acting Chairman of the FDIC three times, most recently from June 1, 1997, when Chairman Ricki Helfer resigned, to May 26, 1998, when Donna Tanoue was sworn in as the 17th Chairman. Before joining the FDIC, 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 Mayor of Minden from 1974 until 1982 and was Minden's Treasurer from 1962 until 1974.

Other civic activities included serving as 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 to 1960, Mr. Hove was in the Nebraska National Guard until 1963.

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Ellen Seidman

Ms. Seidman became Director of the Office of Thrift Supervision (OTS) on October 28, 1997. As OTS Director, Ms. Seidman is also an FDIC Board member.

Ms. Seidman joined the OTS from the White House, where from 1993 to 1997 she was Special Assistant to President Clinton for economic policy at the White House National Economic Council. She chaired the interagency working group on pensions and dealt with such issues as financial institutions, natural disaster insurance, bankruptcy and home ownership.

From 1987 to 1993, Ms. Seidman served in various positions at Fannie Mae, ending her career there as Senior Vice President for Regulation, Research and Economics. Other prior positions include Special Assistant to the Treasury Under Secretary for Finance from 1986 to 1987, and Deputy Assistant General Counsel at the Department of Transportation from 1979 to 1981. Ms. Seidman also practiced law for three years beginning in 1975 with Caplin & Drysdale, a Washington, DC, law firm specializing in tax, securities and bankruptcy issues.

Ms. Seidman received an A.B. degree in government from Radcliffe College, an M.B.A. from George Washington University and a J.D. from Georgetown University Law Center.

John D. Hawke, Jr.

Mr. Hawke was sworn in as the 28th Comptroller of the Currency on December 8, 1998. After serving 10 months under a recess appointment, he was sworn in for a full five-year term on October 13, 1999. As Comptroller, Mr. Hawke serves as an FDIC Board member.

Prior to his appointment as Comptroller, Mr. Hawke served for three and a half years as Under Secretary of the Treasury for Domestic Finance. He oversaw the development of policy and legislation in the financial institutions, debt management and capital markets areas, and served as Chairman of the Advanced Counterfeit Deterrence Steering Committee and as a member of the board of the Securities Investor Protection Corporation. Before Treasury, Mr. Hawke was a senior partner at the Washington, DC, law firm of Arnold & Porter, which he first joined as an associate in 1962. While there, he headed the financial institutions practice, and from 1987 to 1995, served as the firm's Chairman. In 1975, he left the firm to serve as General Counsel to the Board of Governors of the Federal Reserve System, returning in 1978.

Mr. Hawke graduated from Yale University in 1954 with a B.A. in English. From 1955 to 1957, he served on active duty with the U.S. Air Force. After graduating in 1960 from Columbia University School of Law, where he was Editor-in-Chief of the Columbia Law Review, Mr. Hawke was a law clerk for Judge E. Barrett Prettyman on the U.S. Court of Appeals for the District of Columbia Circuit. From 1961 to 1962, he served as counsel to the Select Subcommittee on Education in the House of Representatives.

From 1970 to 1987, Mr. Hawke taught courses on federal regulation of banking at Georgetown University Law Center. He has also taught courses on bank acquisitions and financial regulation, and serves as the Chairman of the Board of Advisors of the Morin Center for Banking Law Studies in Boston. Mr. Hawke has written extensively on matters relating to the regulation of financial institutions, and is the author of "Commentaries on Banking Regulation," published in 1985. He was a founding member of the Shadow Financial Regulatory Committee, and served on the committee until joining Treasury in April 1995.

Vice Chairman Hove retired from the FDIC in January 2001. John Reich, a former banker and Chief of Staff for former U.S. Senator Connie Mack, was sworn in as an FDIC Board member later that month.

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2000 –
The Year of Deposit Insurance

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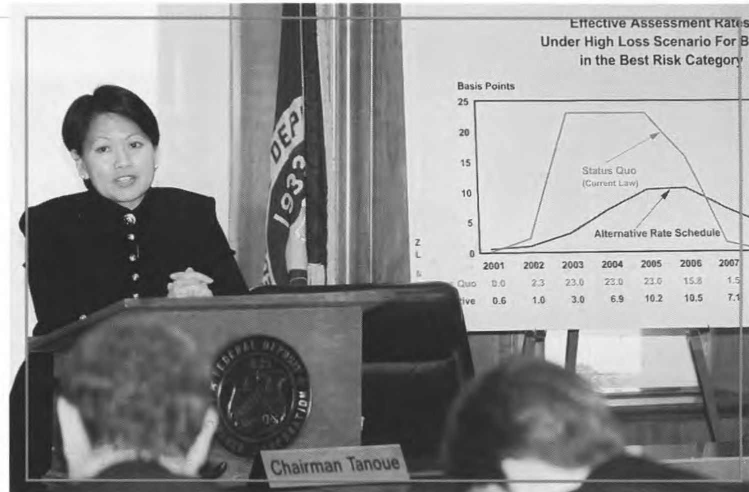
2000– The Year of Deposit Insurance

Work begun in 2000 to study deposit insurance reforms led to final recommendations announced at an April 5, 2001, press conference by Chairman Tanoue.



W.W.Reid

During the year 2000, the FDIC undertook a major study of its deposit insurance system. The decision to conduct the study was not made in an atmosphere of crisis. The U.S. economy was beginning its tenth year of expansion and running at full throttle. Bank capital and earnings were at record levels. The FDIC insurance funds began the year at a combined $40 billion. The FDIC's guarantee of the safety of insured deposits was–and is–ironclad.

So why the need for a study? The answer is that while the FDIC has adequate revenues to discharge its responsibilities, the way it is required to collect those revenues does not promote macroeconomic stability, fairness or appropriate economic incentives. The FDIC's goal during the year 2000 was not, however, merely to critique specific aspects of the law governing its operations, but to offer a concrete and constructive framework for change.

The Issues

Insurance reform would require legislative changes, and one core recommendation from the FDIC to Congress is to resume operating one insurance fund by merging the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF). The two funds provide an identical insurance product, each provides that product to both banks and thrifts, and they provide it in some cases to the same institution. Because BIF and SAIF premiums must be set separately–and in a way that is rigidly tied to the level of each insurance fund–institutions with similar risk characteristics can pay different premiums. It would be entirely possible for one institution to be paying 23 basis points for deposit insurance while a competitor across the street that posed similar risk to its insurance fund was paying nothing. Moreover, some institutions have both BIF and SAIF deposits and must track them separately, in order to know which deposits would pay premiums at what rate.

Also, existing law restricts the FDIC's ability either to smooth insurance costs over time or allocate those costs fairly among insured institutions based on the risks they pose. To understand this constraint, one must go back to the roots of the FDIC's assessment system in the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA). FDICIA required the FDIC to implement a risk-based insurance system. It also required the FDIC to maintain funds at a designated reserve ratio (DRR), the ratio of required reserves to insured deposits, of 1.25 percent. When a fund's reserve ratio–the ratio of a fund's balance to the deposits it insures–falls below the DRR, the FDIC must either raise premiums by enough to bring the reserve ratio back to the DRR within a year or charge at least 23 cents per $100 of deposits (23 basis points) until the reserve ratio meets the DRR.

This requirement works against the loss-smoothing that is normally a feature of insurance. The philosophy underlying the requirement would seem to be that banks should pay for banking crises when they occur–not before and not after. The difficulty with this is that during a period of heightened insurance losses, both the economy and banks in general are likely to be in a distressed condition. A 23 basis point premium at such a point in the banking cycle is likely to be a significant drain on bank net income, thereby retarding bank lending and economic recovery.

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Conversely, when the fund exceeds the DRR, the pendulum swings the other way, and the FDIC is prohibited from charging any deposit insurance premiums to most banks. Under a provision of the Deposit Insurance Funds Act of 1996, well-capitalized institutions with the two strongest examination ratings (1 or 2 on a 5 point scale), a group that comprised about 92 percent of all insured institutions at year-end 2000, are generally exempt from paying premiums when the fund exceeds the DRR.

The FDIC's inability to price risk when the fund exceeds the DRR presents a number of issues. Insurers generally price their product to reflect their risk of loss. The FDIC's inability to do this encourages new deposits to enter the system and enjoy the benefits of deposit insurance without shouldering any of the costs. Since very little in premiums has been collected since 1996, the deposit insurance system is almost entirely financed by those institutions that paid premiums in the past. There are currently over 900 newly chartered institutions that have never paid premiums. There are, moreover, significant and identifiable differences in risk exposure among the 92 percent of insured institutions now in the same risk group, and the current system in effect forces the safer banks in the group to subsidize the riskier ones. Finally, some bankers may take risks they would have avoided if the insurance had been appropriately priced.

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 risk classifications effective for the first semiannual assessment period of 2001. Each institution is categorized based on its capitalization and a supervisory subgroup rating (A, B, or C), which is generally determined by on-site examinations. Assessment rates are basis points, cents per $100 of assessable deposits, per year.

BIF Supervisory Subgroups•

	A	B	C
Well Capitalized:			
Assessment Rate	0	3	17
Number of Institutions	7,965 (92.7%)	383 (4.5%)	55 (0.6%)
Adequately Capitalized:			
Assessment Rate	3	10	24
Number of Institutions	157 (1.8%)	15 (0.2%)	7 (0.1%)
Undercapitalized:			
Assessment Rate	10	24	27
Number of Institutions	3 (0.0%)	2 (0.0%)	4 (0.0%)

SAIF Supervisory Subgroups▪

	A	B	C
Well Capitalized:			
Assessment Rate	0	3	17
Number of Institutions	1,184 (88.8%)	102 (7.7%)	15 (1.1%)
Adequately Capitalized:			
Assessment Rate	3	10	24
Number of Institutions	15 (1.1%)	10 (0.8%)	4 (0.3%)
Undercapitalized:			
Assessment Rate	10	24	27
Number of Institutions	1 (0.1%)	0 (0.0%)	2 (0.2%)

• BIF data exclude SAIF-member "Oakar" institutions that hold BIF-insured deposits. The assessment rate reflects the rate for BIF-assessable deposits, which remained the same throughout 2000.

▪ SAIF data exclude BIF-member "Oakar" institutions that hold SAIF-insured deposits. The assessment rate reflects the rate for SAIF-assessable deposits, which remained the same throughout 2000.

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During the year 2000, financial institutions outside the realm of traditional banking began to make more use of FDIC-insured deposits in their product mix. A few major investment banks began or announced plans to begin sweeping large dollar volumes of brokerage accounts into deposits in their insured subsidiaries. This is, of course, another example of the continuing erosion of barriers between commercial banking and investment banking. Nevertheless, these institutions paid no insurance premiums and, by lowering the fund's reserve ratio, increased the likelihood that other banks would face higher premiums in the future–and this highlighted some of the anomalies of the current system.

There also was spirited discussion among policymakers during the year 2000 of the appropriate level of deposit insurance coverage. One of the purposes of deposit insurance is to provide unsophisticated investors with a safe place to invest without the burden of monitoring their banks. Over time, inflation eats away at the value of deposit insurance. The question, then, was whether the $100,000 coverage limit, which had remained in place since 1980, ought to be changed.

The debate was couched in familiar terms. Those who argued against higher coverage emphasized the potential for moral hazard, the danger that large increases in coverage can encourage some bankers to exploit the ability to gather insured deposits and deploy them to finance risky activities. On the other hand, there were those who asked whether the erosion of coverage should be allowed to continue indefinitely: in constant dollars, the coverage limit at year-end 2000 was almost 30 percent below its 1974 level. Both of these concerns are legitimate, but the debate highlighted one fact that was indisputable. Unlike other federal programs that are indexed, such as Social Security, Medicare and taxes, deposit insurance levels are determined at unpredictable intervals by the outcome of such a debate.

The FDIC's Recommendations

The FDIC devoted considerable time and effort during the year to analyzing these issues. In April the agency conducted a roundtable discussion with the leadership of the major banking trade associations, several consumer organizations and interested individuals. In May and June, Chairman Tanoue, Vice Chairman Hove and senior management of the FDIC held outreach meetings with bank chief executive officers in Minneapolis, Dallas and Kansas City. In August 2000, the agency published a comprehensive options paper that discussed various approaches to deposit insurance pricing, funding and coverage that might replace the current approaches. After the release of the options paper, staff devoted extensive efforts to narrowing and refining the possible approaches to produce a workable package of recommendations. There were numerous meetings with bankers, trade groups, academics, outside experts, Capitol Hill and other interested parties along the way.

The recommendations that ultimately resulted from this process were as follows:

- The BIF and the SAIF should be merged.
- The current statutory restrictions on the FDIC's ability to charge risk-based premiums to all institutions should be eliminated; the FDIC should charge regular premiums for risk regardless of the level of the fund.
- Sharp premium swings triggered by deviations from the DRR should be eliminated. If the fund falls below a target level, premiums should increase gradually. If it grows above a target level, funds should be rebated gradually.
- Rebates should be based on past contributions to the fund, not the current assessment base.
- The coverage limit should be indexed to keep pace with inflation.

The FDIC had been advocating a merger of the two insurance funds for some time. The resulting $42 billion fund (based on year-end 2000 financial results) would be stronger than either fund would be on its own. A merger is the only way to eliminate the possibility of premium disparities between the deposits of the two funds and the attendant competitive inequalities.

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Chairman Tanoue and Vice Chairman Hove, along with senior officials Arthur J. Murton (left) and William R. Watson (right), lead a panel of industry experts in a discussion of key deposit insurance issues at an FDIC-sponsored roundtable in Washington on April 25, 2000.

W.W.Reid

Similarly, the FDIC had been suggesting for some time that it needs expanded discretion to price risk. If deposit insurance premiums continue to be fixed at zero for most banks most of the time, our deposit insurance system will continue to suffer from the deficiencies described earlier: premiums will rise dramatically during periods of economic adversity because the FDIC will be forced to charge banks for most of the losses all at once; new deposits will impose risks and costs on other banks without sharing in any of the costs of operating the system; the safer banks in the system will subsidize the riskier ones; and the moral hazard problems caused by mispriced deposit insurance will be magnified.

In recommending steady risk charges over time, the FDIC recognized the analytical challenges involved in implementing them. Staff spent considerable time after the release of the options paper developing a scoring model for insured institutions analogous to those used in the private sector for evaluating borrowers' creditworthiness. The results were promising.

Collecting premiums from all banks regardless of the level of the fund creates the possibility that the fund will grow very large. At what point the fund becomes too large is an important policy question. An insurance fund allows the FDIC to act quickly to resolve banking problems when needed, facilitates paying for bank failures over time rather than all at once, and buffers the taxpayer against loss. Determining an appropriate range for the insurance fund involves a tradeoff, because there is a cost that must be weighed against these benefits, namely, dollars in the fund could have been used to support bank lending.

In coming to its recommendations, the FDIC recognized that this policy tradeoff must be confronted and that, one way or another, the size of the fund has to be managed. The current system manages the size of the fund by eliminating deposit insurance premiums for most banks when the fund is above the DRR, and adjusting them upward abruptly when the fund is below the DRR. The FDIC concluded that a better way to manage the size of the fund–one that mitigates premium volatility and preserves risk-based pricing–would be to increase premiums gradually rather than abruptly when the fund is below a target, and to provide gradually increasing rebates when the fund is above a target.

The rebate system advocated by the FDIC would be a significant departure from past practice. The reason the FDIC recommended a rebate system bears re-emphasizing: rebates could allow the FDIC to price risk at individual institutions regardless of the level of the fund. Under the scheme the FDIC has operated under since 1933, apart from increases in coverage the only way to slow the growth of the reserve ratio has been to reduce deposit insurance premiums. With a rebate system in place to provide a self-correcting mechanism to control the growth of the fund, risk-based premiums could be assessed on all institutions regardless of the level of the fund.

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"The FDIC's goal during the year 2000 was . . . to offer a concrete and constructive framework for change."

This argument in favor of a rebate system presumes that the rebates would not themselves distort economic incentives or create new moral hazard problems. To put the matter another way, the FDIC should not pay banks simply to exist, nor should it pay them to grow. This reasoning led the FDIC to conclude that a bank's rebate should depend on what it has paid into the fund in the past, and not on its current assessment base.

As noted earlier, developments during the year 2000 highlighted the concern raised by rapidly growing institutions that dilute the fund's reserve ratio and pay nothing for deposit insurance. At this point it is possible to summarize how the FDIC's recommendations would address this issue. First, under the assessment system the FDIC recommends, a decrease in the reserve ratio would have, at most, a gradual effect on banks' net payments to the FDIC. This means the effect of new deposit growth on other insured institutions would be substantially diminished.

Second, regular risk-based premiums for all banks would mean that fast growing institutions would pay increasingly larger premiums as they gathered deposits. In addition, fast growth, if it posed greater risk, could result in additional premiums through the operation of the FDIC's expanded discretion to price risk.

Finally, with rebates based upon past contributions, when the FDIC is paying rebates, those rebates would be paid in relatively smaller amounts to fast growers and in relatively greater amounts to established institutions or slower growers. Over time, as all institutions paid assessments (and as rebates were made based upon past assessments), new institutions and fast growers would build their "rebate shares."

The recommendation to index coverage to inflation was based on a presumption that if deposit insurance is an important part of the federal government's overall program to ensure financial stability, then its relative importance ought to be maintained in a predictable manner.

The FDIC viewed the recommendations that resulted from the work done in the year 2000 as a package, arguing against picking and choosing some parts of the framework but not others. For example, raising coverage with no change to the pricing system would exacerbate the distortion of incentives that already exists. Paying rebates without changing pricing would, again, not address the problems that come from a lack of premiums when the fund exceeds the DRR, and would increase the need to raise premiums in bad times. And a poorly designed rebate system could negate the benefits of any deposit insurance pricing system, and make incentive problems much worse than they are now. For example, giving rebates proportional to a bank's deposits could mean the FDIC in effect would pay a bank to exist, and pay it more to grow.

Conclusion

The FDIC has protected depositors and promoted the safety and soundness of insured depository institutions for over 65 years. The year 2000 marked the end of a decade that saw both a banking crisis and an economic boom–and a decade that saw major legislative changes to the FDIC's assessment system. The year 2000 was, in short, a good year for taking stock. The FDIC believes that the recommendations for deposit-insurance reform developed during the year will provide a sound basis for helping the agency achieve its mission, more efficiently and more fairly, for years to come.

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Operations of the Corporation – The Year in Review

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Operations of the Corporation – The Year in Review

FDIC participants in the "Seminar on Establishing a Deposit Insurance System" in Basel, Switzerland, were: (l to r) James McFadyen, Christie Sciacca, George Hanc, Rose Kushmeider, Detta Voesar, Claude Rollin, Stanley Ivie and Christine Blair.

The year 2000 may well be remembered as a watershed in the history of the FDIC. The Corporation undertook a comprehensive review of the deposit insurance system with an eye toward addressing its weaknesses. As part of that effort, the Corporation commissioned a national household survey, conducted by the Gallup Organization, to measure public understanding of–and support for–the deposit insurance program. Also, the FDIC sponsored global efforts to establish or improve deposit insurance systems. In May, for example, the Corporation and the Financial Stability Institute co-hosted a seminar on these issues in Basel, Switzerland – a seminar that drew approximately 150 people who represented more than 60 countries. And in June the Corporation hosted a meeting in Washington, DC, of the Financial Stability Forum's (FSF) Working Group on Deposit Insurance. The FSF was created in 1999 by the finance ministers and other officials of the G-7 industrial nations as a way to promote international financial stability through information exchange and international cooperation.

In addition to deposit insurance, the year 2000 might be considered a watershed in other ways. Concerns began to grow about the condition of the industry, which had experienced unprecedented profitability during the 1990s. And, though industry conditions did not significantly affect the deposit insurance funds, the Corporation in 2000 undertook several safety and soundness initiatives to address emerging risks. It also developed contingency plans for the failure of a very large institution, or an institution that operates on the Internet. It addressed the effects of evolving technology, both internally and externally. The Corporation invested in its employees through its diversity program. And–working with other bank regulators–it dealt with many of the demands of the landmark financial modernization legislation enacted in 1999, the Gramm-Leach-Bliley Act. In summary, the FDIC spent the year 2000 responding to changes in the industry it insures and supervises, and in doing so prepared itself for the new financial world technology continues to create.

Overview of the Industry and the Deposit Insurance Funds

During 2000, insured commercial banks and savings institutions reported a slight decline in earnings performance from the record levels of 1999, higher levels of provision expenses, and an increase in loan losses from commercial and industrial borrowers.

Commercial banks' eight consecutive years of record earnings came to an end in 2000, as net income of $71.2 billion fell $380 million (0.5 percent) short of 1999's record total. The industry's earnings decline was mostly attributable to problems at a few large banks. The average return on assets (ROA) of 1.19 percent was down from the record 1.31 percent registered in 1999. Even so, 2000 marks the eighth consecutive year that the industry had an ROA above one percent. The industry's net interest margin of 3.95 percent was the lowest level since 1990. In 2000, securities sales produced net losses and provision expenses rose sharply with loan-loss provisions totaling $29.3 billion, an increase of $7.4 billion (34.1 percent) over 1999. Noninterest income growth was sluggish in 2000; however, this was aided by slower growth in noninterest expenses. From 1999 to 2000, the annualized net charge-off rate on commercial and industrial (C&I) loans rose to 1.15 percent, from 0.79 percent a year ago. Noncurrent loans during 2000 increased by $9.9 billion (30.0 percent), with C&I loans accounting for $6.1 billion (61.4 percent) of the increase.

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Insured savings institutions earned $10.7 billion in 2000, down $126 million from the record earnings of 1999. This was the third year in a row that industry earnings were over $10 billion. The average ROA was 0.92 percent, down from 1.00 percent in 1999. Increased noninterest expenses negated improvements in noninterest income, while an inverted yield curve continued to put downward pressure on thrifts' net interest margins. Net charge-offs, at 0.20 percent of loans, were $349 million (29 percent) higher than in 1999, but provisions for loan losses exceeded these charges by over 30 percent in both years.

The FDIC administers two deposit insurance funds–the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF)–and manages the FSLIC Resolution Fund (FRF), which fulfills the obligations of the former Federal Savings and Loan Insurance Corporation (FSLIC) and the former Resolution Trust Corporation (RTC). The following summarizes the condition of insured institutions and the FDIC's insurance funds.

Deposit insurance assessment rates remained unchanged from 1999 for both the BIF and the SAIF, ranging from 0 to 27 cents annually per $100 of assessable deposits. Under the assessment rate schedule, 92.7 percent of BIF-member institutions and 88.8 percent of SAIF-member institutions were in the lowest risk-assessment rate category and paid no deposit insurance assessments for the first semiannual period of 2001.

Selected Statistics

Dollars in millions	For the year ended December 31		
	2000	**1999**	**1998**
Bank Insurance Fund			
Financial Results			
Revenue	**$ 1,906**	$ 1,816	$ 2,000
Operating Expenses	**773**	730	698
Insurance Losses and Expenses	**(128)**	1,192	(6)
Net Income	**1,261**	(106)	1,309
Comprehensive Income ▼	**1,561**	(198)	1,319
Insurance Fund Balance	**$ 30,975**	$ 29,414	$ 29,612
Fund as a Percentage of Insured Deposits	**1.35%**	1.36%	1.38%
Selected Statistics			
Total BIF-Member Institutions ●	**8,572**	8,834	9,031
Problem Institutions	**74**	66	68
Total Assets of Problem Institutions	**$ 11,000**	$ 4,000	$ 5,000
Institution Failures	**6**	7	3
Total Assets of Current Year Failed Institutions	**$ 378**	$ 1,424	$ 370
Number of Active Failed Institution Receiverships	**51**	101	219
Savings Association Insurance Fund			
Financial Results			
Revenue	**$ 664**	$ 601	$ 584
Operating Expenses	**111**	93	85
Insurance Losses and Expenses	**189**	31	32
Net Income	**364**	477	467
Comprehensive Income ▼	**478**	441	472
Insurance Fund Balance	**$ 10,759**	$ 10,281	$ 9,840
Fund as a Percentage of Insured Deposits	**1.43%**	1.45%	1.39%
Selected Statistics			
Total SAIF-Member Institutions ■	**1,333**	1,387	1,430
Problem Institutions	**20**	13	16
Total Assets of Problem Institutions	**$ 13,000**	$ 6,000	$ 6,000
Institution Failures	**1**	1	0
Total Assets of Current Year Failed Institutions	**$ 30**	$ 63	$ 0
Number of Active Failed Institution Receiverships	**3**	3	2

▼ Comprehensive Income is added to conform with SFAS No. 130, "Comprehensive Income."

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

■ Savings institutions and commercial banks.

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Research by FDIC staff, including (l to r) senior financial analyst Thomas Murray, senior analyst Charles Collier and economist Daniel Nuxoll, identifies potential risks to banks and cities from commercial real estate development.

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Deposits insured by the FDIC moved past the $3 trillion level in 2000, to $3.05 trillion, despite the number of insured institutions falling below the 10,000 mark for the first time. Insured deposits rose by 2.1 percent in the final three months of 2000, bringing the growth rate for 2000 to 6.5 percent. This annual growth rate for federally insured deposits is the highest since 1986, when deposits insured by the FDIC and the FSLIC increased by eight percent. Insured deposits reported by the 9,924 FDIC-insured institutions rose by $185 billion in 2000, including a $73 billion increase (81 percent) in insured brokered deposits. About half of the latter amount was attributable to two insured banks with brokerage affiliates that "sweep" cash management account balances into FDIC-insured bank accounts.

By year-end 2000, deposits insured by the BIF grew at seven percent and reached $2.3 trillion. This annual growth rate for BIF-insured deposits was the highest since 1989. The BIF balance was $31 billion at year-end 2000, or 1.35 percent of estimated insured deposits. This was down from the year-end 1999 reserve ratio of 1.36 percent as the $1.6 billion growth of the fund's balance during 2000 was more than offset by the growth of insured deposits.

The reserve ratio of the SAIF was 1.43 percent at year-end 2000, down slightly from 1.45 percent at year-end 1999. The balance of the SAIF was $10.8 billion on December 31, 2000. SAIF-insured deposits were $753 billion at year-end 2000, having grown 5.8 percent for the year. The annual growth rate was the highest since the inception of the SAIF in 1989.

Despite the relatively rapid growth of insured deposits, insured institutions continued to rely increasingly on other funding alternatives. Insured deposits as a percentage of domestic liabilities continued a steady, nine-year decline, falling to 51.7 percent at the end of 2000, compared to 52.6 percent a year earlier and 70 percent in 1992. At year-end 2000, the ratio was 46.4 percent for institutions with total assets greater than $1 billion, and 74 percent for smaller institutions.

During 2000, seven FDIC-insured institutions failed. Six of those institutions were insured by the BIF and one was insured by the SAIF. The failed institutions had combined assets of approximately $408 million. Losses for the seven failures are estimated at $40 million. In 1999, there were eight failures of insured institutions, with total assets of $1.5 billion and estimated losses of $839 million. The contingent liability for anticipated failures of BIF- and SAIF-insured institutions as of December 31, 2000, was $141 million and $234 million, respectively.

Responding to Emerging Risks

In the first quarter of 2000, the FDIC announced enhancements to the Risk-Related Premium System that will provide a more flexible, forward-looking system that keeps pace with new and emerging risks to the insurance funds. The enhancements focus on "outliers"–institutions with atypically high-risk profiles among those in the best-rated premium category–to ensure that the FDIC is making all possible efforts within the existing deposit insurance system to maintain the insurance funds' strong condition. Refinements were made

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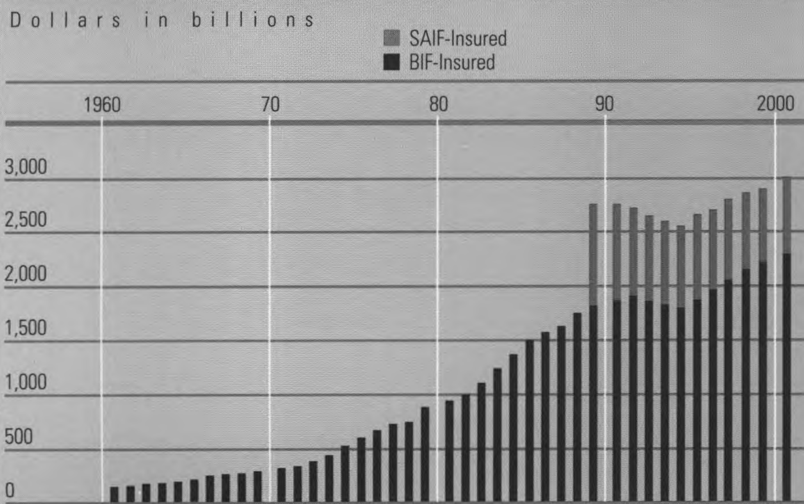
Keith Ligon, chief of FDIC supervision policy for bank securities, capital markets and trust activities, discusses proposed capital rules at an interagency staff meeting.

Britt Leckman/Federal Reserve

to identify the outlier institutions among those in the best-rated premium category, and to determine whether there are unresolved supervisory concerns regarding the risk-management practices of these institutions. Where such concerns are present, the institutions are given an opportunity to address the deficiencies in their risk-management practices before higher premiums are assessed.

New "screens," or models designed to flag outlier statistics and ratios, based on quarterly financial data, were added to the process for assigning assessment risk classifications. These screens identify institutions in the best-rated category with atypically high-risk profiles. The screens flag combinations of rapid loan growth, high-yielding loan portfolios, concentrations in high-risk assets, and recent changes in business mix. For the institutions identified, a supervisory review is conducted to determine if concerns exist regarding risk-management practices. If so, the institution is notified that unless actions are taken to address the concerns before the next semiannual assessment period, a higher premium may be assessed.

During the year, the FDIC developed a training program to instruct examiners in methods of fraud detection and investigation, desirable skills when technology makes fraud ever easier to commit and harder to detect. The FDIC also participated in a number of local, state and national working groups relating to financial institution fraud and money laundering. These groups seek to improve information sharing and to develop uniform policies and approaches to deterring and detecting fraud.



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Stephen M. Cross, Director of the FDIC's Division of Compliance and Consumer Affairs

In September 2000, the FDIC, along with the other banking and thrift agencies, proposed a revision to the capital treatment for residual interests in securitizations or other transfers of assets. Residual interests are typically the assets an institution retains in connection with its securitization activities. The proposed rule would require an institution to hold a dollar of capital for every dollar in residual interests, and would make related changes in Tier 1 capital.

Lastly, to keep pace with the evolving banking industry, the FDIC continued its contingency planning for possible future failures. In light of the banking industry's increasing consolidation and reliance on and use of the Internet and electronic commerce, the FDIC focused its planning in 2000 on the need to address possible technological failures and large insured depository institution failures. As a result, the FDIC began modifying its resolution procedures to address issues associated with larger, more complex, institutions and electronic banking and commerce. Additionally, the FDIC began implementing a core training program to cross-train personnel to maintain its readiness capacity.

Technology

In late 1999, Chairman Tanoue initiated a project to evaluate the FDIC's preparedness in continuing to keep pace with the dynamics of bank technology. The project concluded in early 2000 with the establishment of an internal Bank Technology Group to help ensure that the FDIC adopts an integrated approach to risks and opportunities associated with emerging bank technologies, such as Internet banking, electronic cash, electronic lending, and wireless banking.

Significant growth in electronic banking or "E-Banking" was evidenced by the 64 percent increase in the number of FDIC-insured banks offering transactional services over the Internet (1,850 institutions at year-end 2000 compared to 1,130 a year earlier), as well as the increasing

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Liquidation Highlights 1998-2000

Dollars in billions

	2000	1999	1998
Total Failed Banks	**6**	7	3
Assets of Failed Banks	**$ .38**	$ 1.42	$ .37
Total Failed Savings Associations	**1**	1	0
Assets of Failed Savings Associations	**$ .03**	$ .06	$ 0
Net Collections from Assets in Liquidation•	**$ .60**	$ .98	$ 3.55
Total Assets in Liquidation•	**$ .54**	$ 1.98	$ 2.38
Net Collections from Assets Not in Liquidation•	**$ .16**	$ .21	$ .38
Total Assets Not in Liquidation•	**$ 2.80**	$ 5.20	$ 6.71

• Also includes assets from thrifts resolved by the former Federal Savings and Loan Insurance Corporation and the Resolution Trust Corporation.

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The FDIC in March hosted an interagency forum on the privacy of consumer financial information that was attended by bankers, consumer advocates, regulators and others. Chairman Tanoue (far right) is shown here with other audience members.

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sophistication of technology used in E-banking activities. The FDIC at year-end 2000 had 288 specially trained electronic banking examiners and similar specialists nationwide, and it established the Electronic Banking Branch in its Division of Supervision. This newly created branch will provide oversight of information systems and E-banking activities for all state nonmember banks. The FDIC also worked with the Federal Reserve to enhance the risk-focused examination module for electronic banking used in bank examinations. In addition, general electronic banking training also was provided to examiners.

And, the FDIC continued to use technology to improve the failed-bank resolution and asset marketing processes. In 2000, the FDIC conducted its first teleconference with prospective acquirers for a failed bank at five locations across the country; established a secure Web site allowing for the rapid sharing of confidential information with prospective acquirers of a failed institution; and conducted its first sale of financial assets over the Internet, with approximately $12.3 million of loans at a recovery that was 16 percent higher than expected.

Gramm-Leach-Bliley Act

Under the Gramm-Leach-Bliley Act (GLBA), banking organizations may more freely provide a full range of financial services including brokerage, underwriting, and even sponsoring and distributing mutual funds. During 2000, the FDIC took many steps to deal with its demands.

For example, the Corporation began working with the National Association of Insurance Commissioners to explore ways that information can be shared among the banking and insurance regulators to improve regulation. Similar arrangements will be explored with securities regulators.

The Corporation also revised its regulatory standards to reflect aspects of GLBA that require separate adequate capital for a bank and its securities subsidiary, and restrict financial dealings between the bank and its securities affiliate or subsidiary.

FDIC Examinations 1998-2000

	2000	1999	1998
Safety and Soundness:			
State Nonmember Banks	**2,232**	2,289	2,170
Savings Banks	**235**	241	221
National Banks	**17**	3	1
State Member Banks	**2**	7	6
Savings Associations	**0**	0	1
Subtotal	**2,486**	2,540	2,399
Compliance/Community Reinvestment Act	**2,257**	2,368	1,989
Trust Departments	**533**	452	542
Data Processing Facilities	**1,585**	1,446	1,335
Total	**6,861**	6,806	6,265

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Left:
In Washington, DC, and around the nation, FDIC employees gathered to discuss the agency's first Diversity Strategic Plan.

Right:
Directors Mickey Collins (left) of the FDIC's Office of Diversity and Economic Opportunity and Arleas Upton Kea (center) of the Division of Administration accept an award on behalf of the FDIC from the Federal Asian Pacific American Council for the agency's excellence in diversity programs.

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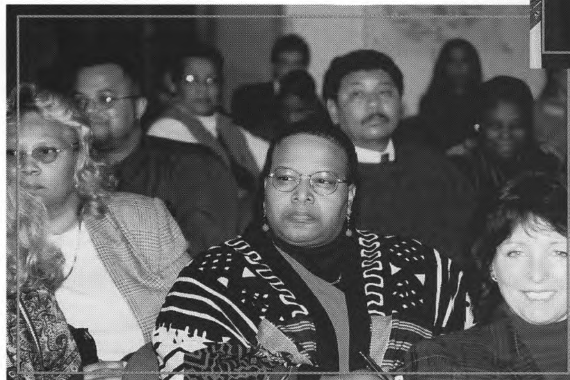

Sally Kearney

GLBA also made Federal Home Loan Bank (FHLB) membership available to more institutions and permitted certain FHLB-member institutions to obtain more advance funding.
In response to these changes, the FDIC issued supplemental examination guidance in August 2000. The guidance provides an overview of FHLB advance strategies and presents a framework for examining the effects of these strategies when determining the adequacy of an institution's policies, practices and financial condition.

Lastly, the FDIC and the other banking agencies implemented regulations protecting consumers purchasing insurance products and annuities through the bank. The new rules govern the sale and solicitation of insurance products and annuities made by the bank as well as by others selling on the bank's behalf. These protections include customer disclosures, advertising requirements, standards regarding the physical location where sales may occur, and prohibitions against tying the purchase of insurance products to the use of any bank product. This regulation will go into effect late in 2001.

Diversity Initiatives

In 2000, the FDIC advanced many of the goals and strategies of its first corporate Diversity Strategic Plan, which reflects the Corporation's commitment to a fair and inclusive work environment. To gauge employee opinion about the FDIC's work environment and culture, the FDIC engaged the Gallup Organization to design an organizational assessment survey that was administered in 2000. The survey results provided baseline data for planning and instituting a range of programs and policy initiatives promoting and maintaining the FDIC's position as an employer of choice.

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Also in 2000, the Corporation:

- Provided diversity training to 6,315 employees, representing about 95 percent of all headquarters and field staff.
- Established new guidelines ensuring that groups making selections for merit promotions represent our diverse workforce.
- Sponsored 200 employees in a mentoring program in which more-experienced employees are paired with less-experienced ones to share their knowledge and skills.
- Instituted a permanent Career Management Program to help employees assess and develop their career plans.
- Expanded its Employee Advisory Resources program with a LifeWorks program–a one-stop resource for consultation, information, direction and referrals to help employees balance the demands of work with their personal lives.

Compliance, Enforcement and Other Related Legal Actions 1998-2000

	2000	1999	1998
Total Number of Actions Initiated by the FDIC	**87**	110	143
Termination of Insurance			
Involuntary Termination			
Sec. 8a For Violations, Unsafe/Unsound Practices or Condition	**1**	0	0
Voluntary Termination			
Sec.8a By Order Upon Request	**0**	0	0
Sec.8p No Deposits	**6**	3	5
Sec.8q Deposits Assumed	**5**	9	4
Sec. 8b Cease-and-Desist Actions			
Notices of Charges Issued	**4**●	5	2
Consent Orders	**26**	19	21
Sec. 8e Removal/Prohibition of Director or Officer			
Notices of Intention to Remove/Prohibit	**3**■	4	2
Consent Orders	**17**	22	15
Sec. 8g Suspension/Removal When Charged With Crime	**0**	3	0
Civil Money Penalties Issued			
Sec.7a Call Report Penalties	**3**	15	41
Sec.8i Civil Money Penalties	**11**	20	35
Sec. 10c Orders of Investigation	**7**	4	6
Sec. 19 Denials of Service After Criminal Conviction	**1**	2 ▼	3
Sec. 32 Notices Disapproving Officer/Director's Request for Review	**0**	1	0
Truth in Lending Act Reimbursement Actions			
Denials of Requests for Relief	**0**	1	1
Grants of Relief	**0**	0	0
Banks Making Reimbursement▲	**127**	134	161
Suspicious Activity Reports (Open and closed institutions)▲	**20,720**	22,015	20,229
Other Actions Not Listed	**3**	2	8

● Two actions included Sec.8 (c) temporary orders.

■ One action included a Sec.8 (e) suspension order.

▼ One action involved a denial of request to waive 10-year ban under Sec.19 (a) (2).

▲ These actions do not constitute the initiation of a formal enforcement action and, therefore, are not included in the total number of actions initiated.

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FDIC Applications 1998-2000

	2000	1999	1998
Deposit Insurance	**205**	295	296
Approved	**205**	295	296
Denied	**0**	0	0
New Branches	**1,286**	1,347	1,450
Approved	**1,286**	1,347	1,450
Denied	**0**	0	0
Mergers	**316**	341	390
Approved	**316**	341	390
Denied	**0**	0	0
Requests for Consent to Serve•	**249**	210	304
Approved	**248**	207	299
Section 19	**15**	41	145
Section 32	**233**	166	154
Denied	**1**	3	5
Section 19	**1**	1	3
Section 32	**0**	2	2
Notices of Change in Control	**28**	31	34
Letters of Intent Not to Disapprove	**28**	31	34
Disapproved	**0**	0	0
Brokered Deposit Waivers	**25**	16	10
Approved	**25**	16	9
Denied	**0**	0	1
Savings Association Activities▪	**80**	83	0
Approved	**80**	83	0
Denied	**0**	0	0
State Bank Activities/Investments▾	**36**	24	23
Approved	**36**	24	23
Denied	**0**	0	0
Conversions of Mutual Institutions	**8**	16	30
Non-Objection	**8**	15	30
Objection	**0**	1	0

• 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 is not in compliance with capital requirements or is otherwise in troubled condition.

▪ Amendments to Part 303 of the FDIC Rules and Regulations changed FDIC oversight responsibility in October 1998.

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

Consumer Complaints and Inquiries

The FDIC investigates and responds to consumer complaints of unfair or deceptive acts or practices by financial institutions. The agency also responds to inquiries from consumers, financial institutions and other parties about consumer protection and fair lending matters and deposit insurance. The FDIC's Consumer Affairs Program informs depositors, financial institutions and others about the FDIC's responsibilities for enforcing consumer protection and fair lending laws and regulations.

In 2000, the FDIC received nearly 4,500 written consumer complaints against state-chartered nonmember banks. The agency tracks the volume and nature of complaints to monitor trends and identify emerging issues. Nearly two-thirds of these complaints concerned credit card accounts. The most frequent complaints involved billing disputes and account errors; loan denials; credit card fees and service charges; and collection practices.

The FDIC also received over 2,000 written inquiries from consumers and over 200 written inquiries from bankers as to whether specific financial institutions are insured by the FDIC, or questions about FDIC deposit insurance coverage. Other common inquiries were requests for copies of FDIC consumer publications, questions about banking practices and consumers' rights under federal consumer protection laws, and questions related to obtaining a personal credit report.

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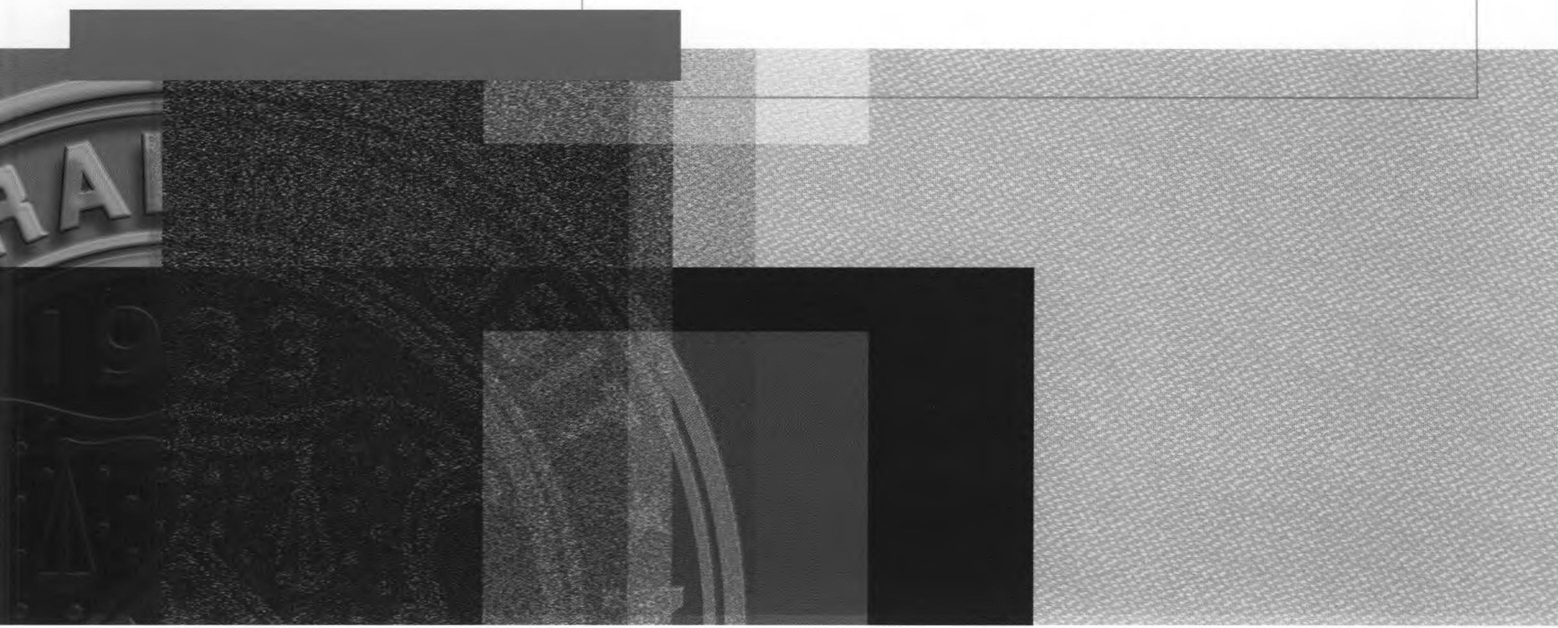
Financial Statements



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Federal Deposit Insurance Corporation

Bank Insurance Fund Statements of Financial Position at December 31

Dollars in Thousands

	2000	1999
Assets		
Cash and cash equivalents	$ 156,396	$ 164,455
Investment in U.S. Treasury obligations, net: (Note 3)		
Held-to-maturity securities	22,510,892	23,949,655
Available-for-sale securities	7,421,597	4,288,410
Interest receivable on investments and other assets, net	552,671	467,070
Receivables from bank resolutions, net (Note 4)	349,589	743,011
Assets acquired from assisted banks and terminated receiverships, net (Note 5)	11,727	20,750
Property and equipment, net (Note 6)	303,438	260,040
Total Assets	**$ 31,306,310**	**$ 29,893,391**
Liabilities		
Accounts payable and other liabilities	$ 165,972	$ 148,821
Contingent liabilities for: (Note 7)		
Anticipated failure of insured institutions	141,355	307,000
Assistance agreements	234	10,910
Litigation losses	21,922	10,000
Asset securitization guarantees	1,605	2,477
Total Liabilities	**331,088**	**479,208**
Commitments and off-balance-sheet exposure (Note 12)		
Fund Balance		
Accumulated net income	30,755,569	29,494,950
Unrealized gain/(loss) on available-for-sale securities, net (Note 3)	219,653	(80,767)
Total Fund Balance	**30,975,222**	**29,414,183**
Total Liabilities and Fund Balance	**$ 31,306,310**	**$ 29,893,391**

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

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Bank Insurance Fund Statements of Income and Fund Balance for the Years Ended December 31

Dollars in Thousands

	2000	1999
Revenue		
Interest on U.S. Treasury obligations	$ 1,827,404	$ 1,733,603
Assessments (Note 8)	45,091	33,333
Interest on advances and subrogated claims	7,616	20,626
Revenue from assets acquired from assisted banks and terminated receiverships	10,077	11,484
Other revenue	15,676	16,556
Total Revenue	**1,905,864**	**1,815,602**
Expenses and Losses		
Operating expenses	772,918	730,394
Provision for insurance losses (Note 9)	(152,962)	1,168,749
Expenses for assets acquired from assisted banks and terminated receiverships	16,659	18,778
Interest and other insurance expenses	8,630	4,126
Total Expenses and Losses	**645,245**	**1,922,047**
Net Income (Loss)	**1,260,619**	**(106,445)**
Unrealized gain/(loss) on available-for-sale securities, net (Note 3)	300,420	(91,682)
Comprehensive Income (Loss)	**1,561,039**	**(198,127)**
Fund Balance - Beginning	**29,414,183**	**29,612,310**
Fund Balance - Ending	**$ 30,975,222**	**$ 29,414,183**

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

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Bank Insurance Fund Statements of Cash Flows for the Years Ended December 31

Dollars in Thousands

	2000	1999
Cash Flows From Operating Activities		
Cash provided by:		
Interest on U.S. Treasury obligations	$ 1,775,552	$ 1,848,536
Recoveries from bank resolutions	755,936	426,348
Recoveries on conversion of benefit plan	0	175,720
Recoveries from assets acquired from assisted banks and terminated receiverships	45,070	46,390
Assessments	48,518	34,692
Miscellaneous receipts	13,279	19,029
Cash used by:		
Operating expenses	(742,733)	(722,096)
Disbursements for bank resolutions	(388,276)	(1,333,622)
Disbursements for assets acquired from assisted banks and terminated receiverships	(22,994)	(27,756)
Miscellaneous disbursements	(1,974)	(7,542)
Net Cash Provided by Operating Activities (Note 15)	**1,482,378**	**459,699**
Cash Flows From Investing Activities		
Cash provided by:		
Maturity of U.S. Treasury obligations, held-to-maturity	2,560,000	2,120,000
Maturity and sale of U.S. Treasury obligations, available-for-sale	430,000	1,060,000
Cash used by:		
Purchase of property and equipment	(60,761)	(70,886)
Purchase of U.S. Treasury obligations, held-to-maturity	(1,239,157)	(1,596,859)
Purchase of U.S. Treasury obligations, available-for-sale	(3,180,519)	(3,925,143)
Net Cash Used by Investing Activities	**(1,490,437)**	**(2,412,888)**
Net Decrease in Cash and Cash Equivalents	**(8,059)**	**(1,953,189)**
Cash and Cash Equivalents - Beginning	**164,455**	**2,117,644**
Cash and Cash Equivalents - Ending	**$ 156,396**	**$ 164,455**

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

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Notes to the Financial Statements

December 31, 2000 and 1999

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.

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 funds. All three funds are maintained separately to carry out their respective mandates.

The BIF and the SAIF are insurance funds responsible for protecting insured bank and thrift depositors from loss due to institution failures. The FRF is a resolution fund responsible for winding up the affairs of the former Federal Savings and Loan Insurance Corporation (FSLIC) and liquidating the assets and liabilities transferred from the former Resolution Trust Corporation (RTC).

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 generally 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 Board. Deposits of SAIF-member institutions are generally insured by the SAIF; SAIF members are predominantly thrifts supervised by the Office of Thrift Supervision.

In addition to traditional banks and thrifts, several other categories of institutions exist. The Federal Deposit Insurance Act (FDI Act), Section 5(d)(3), provides that a member of one insurance fund may, with the approval of its primary federal supervisor, merge, consolidate with, or acquire the deposit liabilities of an institution that is a member of the other insurance fund without changing insurance fund status for the acquired deposits. These institutions with deposits insured by both insurance funds are referred to as Oakar financial institutions. The FDI Act, Section 5(d)(2)(G), allows SAIF-member thrifts to convert to a bank charter and retain their SAIF membership. These institutions are referred to as Sasser financial institutions. The Home Owners' Loan Act (HOLA), Section 5(o), allows BIF-member banks to convert to a thrift charter and retain their BIF membership. These institutions are referred to as HOLA thrifts.

Other Significant Legislation

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

The Omnibus Budget Reconciliation Act of 1990 (1990 OBR Act) and the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) made changes to the FDIC's assessment authority (see Note 8) and borrowing authority. The FDICIA also requires the FDIC to: 1) resolve failing institutions in a manner that will result in the least possible cost to the deposit insurance funds and 2) maintain the insurance funds at 1.25 percent of insured deposits or a higher percentage as circumstances warrant.

The Deposit Insurance Funds Act of 1996 (DIFA) was enacted to provide for: 1) the capitalization of the SAIF to its designated reserve ratio (DRR) of 1.25 percent by means of a one-time special assessment on SAIF-insured deposits; 2) the expansion of the assessment base for payments of the interest on obligations issued by the FICO to include all FDIC-insured banks and thrifts; 3) beginning January 1, 1997, the imposition of a FICO assessment rate on BIF-assessable deposits that is one-fifth of the rate for SAIF-assessable deposits through the earlier of December 31, 1999, or the date on which the last savings association ceases to exist; 4) the payment of the annual FICO interest obligation of approximately $790 million on a pro rata basis between banks and thrifts on the earlier of January 1, 2000, or the date on which the last savings association ceases to exist; 5) authorization of BIF assessments only if needed to maintain the fund at the DRR; 6) the refund of amounts in the BIF in excess of the DRR with such refund not to exceed the previous semiannual assessment; 7) assessment rates for SAIF members not lower than the assessment rates for BIF members with comparable

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risk; and 8) the merger of the BIF and the SAIF on January 1, 1999, if no insured depository institution is a savings association on that date. Congress did not enact legislation to either merge the BIF and the SAIF or to eliminate the thrift charter.

The Gramm-Leach-Bliley Act (GLBA), was enacted on November 12, 1999, in order to modernize the financial services industry (banks, brokerages, insurers, and other financial services providers). The GLBA lifts restrictions on affiliations among banks, securities firms, and insurance companies. It also expands the financial activities permissible for financial holding companies and insured depository institutions, their affiliates and subsidiaries.

Recent Legislative Initiatives

Congress continues to focus on legislative proposals that would affect the deposit insurance funds. The FDIC has proposed an initiative to reform the deposit insurance system. Some of the proposals, such as deposit insurance pricing and determining deposit insurance levels, may have a significant impact on the BIF and the SAIF, if enacted into law. However, these proposals continue to vary and FDIC management cannot predict which provisions, if any, will ultimately be enacted.

Operations of the BIF

The primary purpose of the BIF is to: 1) insure the deposits and protect the depositors of BIF-insured institutions and 2) resolve failed institutions, 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. Further, the FDIC can also provide assistance to failing banks and monitor compliance with assistance agreements.

The BIF is primarily funded from interest earned on investments in U.S. Treasury obligations and BIF assessment premiums. Additional funding sources are 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). As of December 31, 2000 and December 31, 1999, the MOL for the BIF was $53.2 billion and $51.8 billion, respectively.

Receivership Operations

The FDIC is responsible for managing and disposing of the assets of failed institutions in an orderly and efficient manner. The assets held by receivership entities, and the claims against them, are accounted for separately from BIF assets and liabilities 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 paid by the BIF on behalf of the receiverships are recovered from those receiverships.

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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 FDIC acts as receiver or liquidating agent. Periodic and final accountability reports of the FDIC's activities as receiver or liquidating agent are furnished to courts, supervisory authorities, and others as required.

Use of Estimates

FDIC management makes 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.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments with original maturities of three months or less. Cash equivalents consist primarily of Special U.S. Treasury Certificates.

Investments in U.S. Treasury Obligations

Investments in U.S. Treasury obligations are recorded pursuant to the Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." SFAS No. 115 requires that securities be classified in one of three categories: held-to-maturity, available-for-sale, or trading. The BIF does not designate any securities as trading. Securities designated as held-to-maturity are shown at amortized cost. Amortized cost 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. Securities designated as available-for-sale are shown at market value, which approximates fair value. Unrealized gains and losses are included in Comprehensive Income. Realized gains and losses are included in the Statements of Income and Fund Balance as components of Net Income. Interest on both types of securities is calculated on a daily basis and recorded monthly using the effective interest method.

Allowance for Losses on Receivables From Bank Resolutions and Assets Acquired From Assisted Banks and Terminated Receiverships

The BIF records a receivable for the amounts advanced and/or obligations incurred for resolving failing and failed banks. The BIF also records as an asset the amounts paid for assets acquired from assisted banks and terminated receiverships. 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 estimates of discounted cash recoveries from the assets of assisted or failed banks, net of all applicable estimated liquidation costs.

Cost Allocations Among Funds

Operating expenses not directly charged to the funds are allocated to all funds administered by the FDIC using workload-based-allocation percentages. These percentages are developed during the annual corporate planning process and through supplemental functional analyses.

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, and the FRF. Each fund has fully paid its liability for these benefits directly to the entity. The BIF's prepaid or accrued postretirement benefit cost is presented in the BIF's Statements of Financial Position.

Disclosure About Recent Accounting Pronouncements

Statement of Financial Accounting Standards (SFAS) No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of SFAS No. 133," was

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issued in June 2000. For entities that adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" prior to June 15, 2000, Statement 138 is effective for all fiscal quarters beginning after June 15, 2000. SFAS No. 138 amends Statement 133 principally for certain issues relating to hedging transactions. The adoption of these statements has no material quantitative or qualitative impact on the BIF's Statements of Financial Position, Income and Fund Balance, and Cash Flows.

In September 2000, the Financial Accounting Standards Board (FASB) issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities; a replacement of SFAS No. 125." This statement applies to securitization transactions where the transferor has continuing involvement with the transferred assets or the transferee. SFAS No. 140 is effective for transfers occurring after March 31, 2001. However, disclosure requirements for existing securitizations are effective for fiscal years ending after December 15, 2000. BIF's disclosures for its securitization transactions, which conform to the SFAS No. 140 requirements, are discussed in Notes 7 and 12.

Other recent accounting pronouncements were evaluated and deemed to be not applicable to the financial statements.

Depreciation

The FDIC has designated the BIF as administrator of property and equipment used in its operations. Consequently, the BIF includes the cost of these assets in its financial statements and provides the necessary funding for them. The BIF charges the other funds usage fees representing an allocated share of its annual depreciation expense. These usage fees are recorded as cost recoveries, which reduce operating expenses.

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. Leasehold improvements are capitalized and depreciated over the lesser of the remaining life of the lease or the estimated useful life of the improvements, if determined to be material. Capital assets depreciated on a straight-line basis over a five-year estimated life include mainframe equipment; furniture, fixtures, and general equipment; and internal-use software. Personal computer equipment is depreciated on a straight-line basis over a three-year estimated life.

Related Parties

The nature of related parties and a description of related party transactions are discussed in Note 1 and disclosed throughout the financial statements and footnotes.

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

Cash received by the BIF is invested in non-marketable Government Account Series (GAS) market-based U.S. Treasury securities with maturities exceeding three months. As of December 31, 2000 and December 31, 1999, the book value of investments in U.S. Treasury Obligations, net, was $29.9 billion and $28.2 billion, respectively. The book value is computed by adding the amortized cost of the held-to-maturity securities to the market value of the available-for-sale securities. In 2000, the FDIC purchased $1.3 billion of Treasury inflation-indexed securities (TIIS) for the BIF. These securities are indexed to increases or decreases in the Consumer Price Index (CPI).

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U.S. Treasury Obligations at December 31, 2000

Dollars in Thousands

Held-to-Maturity

Maturity	Yield at Purchase•	Face Value	Amortized Cost	Unrealized Holding Gains	Unrealized Holding Losses	Market Value
Less than one year	5.69%	$ 3,020,000▼	$ 3,024,645	$ 6,851	$ (598)	$ 3,030,898
1-3 years	6.19%	5,965,000	6,178,310	104,475	0	6,282,785
3-5 years	6.59%	4,955,000	5,020,380	264,712	(169)	5,284,923
5-10 years	5.64%	8,068,506	8,287,557	266,541	(26,826)	8,527,272
Total		**$ 22,008,506**	**$ 22,510,892**	**$ 642,579**	**$ (27,593)**	**$ 23,125,878**

Available-for-Sale

Maturity	Yield at Purchase•	Face Value	Amortized Cost	Unrealized Holding Gains	Unrealized Holding Losses	Market Value
Less than one year	5.59%	$ 775,000	$ 776,417	$ 194	$ (1,053)	$ 775,558
1-3 years	6.40%	1,315,000	1,294,613	28,692	0	1,323,305
3-5 years	6.30%	960,000	981,289	39,830	0	1,021,119
5-10 years	4.80%	4,254,527	4,149,625	151,990	0	4,301,615
Total		**$ 7,304,527**	**$ 7,201,944**	**$ 220,706**	**$ (1,053)**	**$ 7,421,597**

Total Investment in U.S. Treasury Obligations, Net

		Face Value	Amortized Cost	Unrealized Holding Gains	Unrealized Holding Losses	Market Value
Total		**$ 29,313,033**	**$ 29,712,836**	**$ 863,285**	**$ (28,646)**	**$ 30,547,475**

• *For Treasury inflation-indexed securities (TIIS), the yields in the above table include their real yields at purchase, not their effective yields. Effective yields on TIIS include a weighted average of Bloomberg's calculation of yield with an inflation assumption. The inflation assumption of 3.4% was the latest year-over-year increase in the Consumer Price Index (CPI) on November 30, 2000. These effective yields are 7.15% and 7.51% for TIIS classified as held-to-maturity and available-for-sale, respectively.*

▼ *Includes one Treasury note totaling $200 million which matured on Sunday, December 31, 2000. Settlement occured on the next business day, January 2, 2001.*

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U.S. Treasury Obligations at December 31, 1999

Dollars in Thousands

Held-to-Maturity

Maturity	Yield at Purchase •	Face Value	Amortized Cost	Unrealized Holding Gains	Unrealized Holding Losses	Market Value
Less than one year	6.02%	$ 2,560,000	$ 2,561,679	$ 3,087	$ (2,468)	$ 2,562,298
1-3 years	6.06%	6,540,000	6,669,580	7,233	(32,331)	6,644,482
3-5 years	6.45%	4,805,000	5,052,441	18,300	(17,217)	5,053,524
5-10 years	5.88%	9,439,053	9,665,955	58,403	(374,526)	9,349,832
Total		**$ 23,344,053**	**$ 23,949,655**	**$ 87,023**	**$ (426,542)**	**$ 23,610,136**

Available-for-Sale

Maturity	Yield at Purchase •	Face Value	Amortized Cost	Unrealized Holding Gains	Unrealized Holding Losses	Market Value
Less than one year	5.62%	$ 430,000	$ 431,206	$ 48	$ (94)	$ 431,160
1-3 years	5.36%	625,000	631,662	0	(7,001)	624,661
3-5 years	6.00%	445,000	454,254	0	(6,391)	447,863
5-10 years	5.15%	2,977,452	2,852,055	0	(67,329)	2,784,726
Total		**$ 4,477,452**	**$ 4,369,177**	**$ 48**	**$ (80,815)**	**$ 4,288,410**

Total Investment in U.S. Treasury Obligations, Net

Total		**$ 27,821,505**	**$ 28,318,832**	**$ 87,071**	**$ (507,357)**	**$ 27,898,546**

• *For Treasury inflation-indexed securities (TIIS), the yields in the above table include their real yields at purchase, not their effective yields. Effective yields on TIIS include a weighted average of Bloomberg's calculation of yield with an inflation assumption. The inflation assumption of 2.6% was the latest year-over-year increase in the Consumer Price Index (CPI) on December 14, 1999. These effective yields are 6.44% and 6.70% for TIIS classified as held-to-maturity and available-for-sale, respectively.*

As of December 31, 2000 and 1999, the unamortized premium, net of the unamortized discount, was $400 million and $497 million, respectively.

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4. Receivables from Bank Resolutions, Net

The bank resolution process takes different forms depending on the unique facts and circumstances surrounding each failing or failed institution. Payments for institutions that fail are made to cover obligations to insured depositors and represent claims by the BIF against the receiverships' assets. There were six bank failures in 2000 and seven in 1999, with assets at failure of $378 million and $1.4 billion, respectively, and BIF outlays of $301.7 million and $1.2 billion, respectively.

Assets held by the FDIC in its receivership capacity for closed BIF-insured institutions are the main source of repayment of the BIF's receivables from closed banks.

As of December 31, 2000 and 1999, BIF receiverships held assets with a book value of $510.9 million and $1.9 billion, respectively (including cash and miscellaneous receivables of $337 million and $524 million at December 31, 2000 and 1999, respectively). The estimated cash recoveries from the management and disposition of these assets that are used to derive the allowance for losses are based in part on a statistical sampling of receiver-ship assets. These estimated recoveries are regularly evaluated, but remain subject to uncertainties because of potential changes in economic conditions. These factors could cause the BIF's and other claimants' actual recoveries to vary from the level currently estimated.

Receivables from Bank Resolutions, Net at December 31

Dollars in Thousands

	2000	1999
Assets from open bank assistance	$ 1,240	$ 105,655
Allowance for losses	(1,240)	(4,196)
Net Assets From Open Bank Assistance	**0**	**101,459**
Receivables from closed banks	9,083,357	15,673,843
Allowance for losses	(8,733,768)	(15,032,291)
Net Receivables From Closed Banks	**349,589**	**641,552**
Total	**$ 349,589**	**$ 743,011**

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5. Assets Acquired from Assisted Banks and Terminated Receiverships, Net

The BIF has acquired assets from certain troubled and failed banks 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 methodology to estimate cash recoveries from these assets, which is used to derive the related allowance for losses, is similar to that for receivables from bank resolutions (see Note 4). The estimated cash recoveries are based upon a statistical sampling of the assets but only include expenses for the disposition of the assets to represent liquidating value.

The BIF recognizes revenue and expenses on these acquired assets. Revenue consists primarily of interest earned on assets in liquidation. Expenses are recognized for the disposition and administration of these assets.

Assets Acquired from Assisted Banks and Terminated Receiverships, Net at December 31

Dollars in Thousands

	2000	1999
Assets acquired from assisted banks and terminated receiverships	$ 55,745	$ 105,136
Allowance for losses	(44,018)	(84,386)
Total	**$ 11,727**	**$ 20,750**

6. Property and Equipment, Net

Property and Equipment, Net at December 31

Dollars in Thousands

	2000	1999
Land	$ 29,631	$ 29,631
Buildings	168,996	159,188
PC/LAN/WAN equipment	46,030	27,748
Application software	73,041	29,671
Mainframe equipment	7,370	5,569
Furniture, fixtures, and general equipment	19,972	10,596
Telephone equipment	3,357	1,771
Work in Progress - Application software	36,934	48,961
Accumulated depreciation	(81,893)	(53,095)
Total	**$ 303,438**	**$ 260,040**

The depreciation expense was $28.8 million and $12.3 million for 2000 and 1999, respectively.

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7. Contingent Liabilities for:

Anticipated Failure of Insured Institutions

The BIF records a contingent liability and a loss provision for banks (including Oakar and Sasser financial institutions) that are likely to fail, absent some favorable event such as obtaining additional capital or merging, when the liability becomes probable and reasonably estimable.

The contingent liabilities for anticipated failure of insured institutions as of December 31, 2000 and 1999, were $141 million and $307 million, respectively. The contingent liability is derived in part from estimates of recoveries from the management and disposition of the assets of these probable bank failures. Therefore, these estimates are subject to the same uncertainties as those affecting the BIF's receivables from bank resolutions (see Note 4).

Several recent bank failures have involved some degree of fraud, which adds uncertainty to estimates of loss and recovery rates. These uncertainties, along with potential changes in economic conditions, could affect the ultimate cost to the BIF from probable failures.

There are other banks where the risk of failure is less certain, but still considered reasonably possible. Should these banks fail, the BIF could incur additional estimated losses ranging from $1 million to $639 million.

The accuracy of these estimates will largely depend on future economic conditions. The FDIC's Board of Directors (Board) has the statutory authority to consider the contingent liability for anticipated failures of insured institutions when setting assessment rates.

Assistance Agreements

The contingent 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 pay losses incurred for indemnification and litigation.

Litigation Losses

The BIF records an estimated loss for unresolved legal cases to the extent those losses are considered probable and reasonably estimable. In addition to the amount recorded as probable, the FDIC has determined that losses from unresolved legal cases totaling $75 million are reasonably possible.

In addition, two cases are currently pending in the U.S. Court of Federal Claims against the United States for actions taken by the FDIC in supervising two BIF-insured, state-chartered mutual savings banks. These two cases allege that the FDIC's conduct in supervising these institutions breached agreements, which caused state regulators to close the institutions. The Court has not yet ruled on the question of whether any agreements were breached. However, should such a determination be made and the court award either damages or restitution, it is possible that the BIF would be responsible for payment of such an award. At this time, it is not possible to estimate a potential loss to the BIF from these two cases.

Asset Securitization Guarantees

As part of the FDIC's efforts to maximize the return from the sale or disposition of assets from bank resolutions, the FDIC has securitized some receivership assets. To facilitate the securitizations, the BIF provided limited guarantees to cover certain losses on the securitized assets up to a specified maximum. In exchange for backing the limited guarantees, the BIF received assets from the receiverships in an amount equal to the expected exposure under the guarantees. At December 31, 2000 and 1999, the BIF had a contingent liability under the guarantees of $1.6 million and $2.5 million, respectively.

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8. 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; 3) required the FDIC to build and maintain the reserves in the insurance funds to 1.25 percent of insured deposits; and 4) 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 assessment rate averaged approximately 0.14 cents and 0.11 cents per $100 of assessable deposits for 2000 and 1999, respectively. On November 7, 2000, the Board voted to retain the BIF assessment schedule at the annual rate of 0 to 27 cents per $100 of assessable deposits for the first semiannual period of 2001. The Board reviews premium rates semiannually.

Since May 1995, the BIF has maintained a capitalization level at or higher than the DRR of 1.25 percent of insured deposits. As of December 31, 2000, the capitalization level for BIF is 1.35 percent of estimated insured deposits.

The DIFA (see Note 1) provided, among other things, for the elimination of the mandatory minimum assessment formerly provided for in the FDI Act. It also provided for the expansion of the assessment base for payments of the interest on obligations issued by the FICO to include all FDIC-insured institutions (including banks, thrifts, and Oakar and Sasser financial institutions). It also made the FICO assessment separate from regular assessments, effective on January 1, 1997.

BIF-insured banks began paying a FICO assessment on January 1, 1997. From January 1, 1997, through December 31, 1999, the FICO assessment rate on BIF-assessable deposits was one-fifth the rate for SAIF-assessable deposits. Beginning on January 1, 2000, the annual FICO interest obligations of approximately $790 million will be paid on a pro rata basis using the same rate for banks and thrifts.

The FICO assessment has no financial impact on the BIF. The FICO assessment is separate from the regular assessments and is imposed on banks and thrifts, not on the insurance funds. The FDIC, as administrator of the BIF and the SAIF, is acting solely as a collection agent for the FICO. During 2000 and 1999, $635 million and $364 million, respectively, was collected from banks and remitted to the FICO.

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9. Provision for Insurance Losses

Provision for insurance losses was negative $153 million for 2000 and $1.2 billion for 1999. The following chart lists the major components of the provision for insurance losses.

Provision for Insurance Losses for the Years Ended December 31

Dollars in Thousands

	2000	1999
Valuation Adjustments:		
Open bank assistance	$ (2,956)	$ (6,280)
Closed banks	(20,098)	325,836
Assets acquired from assisted banks and terminated receiverships	336	(10,977)
Total Valuation Adjustments	**(22,718)**	**308,579**
Contingent Liabilities Adjustments:		
Anticipated failure of insured institutions	(133,645)	849,000
Assistance agreements	(533)	8,792
Litigation losses	3,964	2,294
Asset securitization guarantees	(30)	84
Total Contingent Liabilities Adjustments	**(130,244)**	**860,170**
Total	**$ (152,962)**	**$ 1,168,749**

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10. Pension Benefits, Savings Plans, and Accrued Annual Leave

Eligible FDIC employees (permanent and term employees with appointments exceeding one year) are covered by either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). The CSRS is a defined benefit plan, which is 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.

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 on and accounted for by the U.S. Office of Personnel Management.

Eligible FDIC employees also may participate in a FDIC-sponsored tax-deferred 401(k) savings plan with matching contributions. The BIF pays its share of the employer's portion of all related costs.

The BIF's pro rata share of the Corporation's liability to employees for accrued annual leave is approximately $36.0 million and $38.2 million at December 31, 2000 and 1999, respectively.

Pension Benefits and Savings Plans Expenses for the Years Ended December 31

Dollars in Thousands

	2000	1999
Civil Service Retirement System	$ 11,503	$ 10,270
Federal Employees Retirement System (Basic Benefit)	30,454	28,449
FDIC Savings Plan	19,202	17,215
Federal Thrift Savings Plan	12,154	11,018
Total	**$ 73,313**	**$ 66,952**

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11. Postretirement Benefits Other Than Pensions

The FDIC provides certain dental and life insurance coverage for its eligible retirees, the retirees' beneficiaries, and covered dependents. Retirees eligible for 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 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.

Postretirement Benefits Other Than Pensions

Dollars in Thousands

	2000	1999
Funded Status at December 31		
Fair value of plan assets •	$ 75,696	$ 71,286
Less: Benefit obligation	67,995	75,275
Over/(Under) Funded Status of the Plans	**$ 7,701**	**$ (3,989)**
Prepaid (accrued) postretirement benefit cost recognized in the Statements of Financial Position	$ 3,618	$ (3,989)
Expenses and Cash Flows for the Period Ended December 31		
Net periodic benefit cost	$ 3,945	$ 2,468
Employer contributions	1,604	1,111
Benefits paid	1,604	1,111
Weighted-Average Assumptions at December 31		
Discount rate	5.25%	4.50%
Expected return on plan assets	5.25%	4.50%
Rate of compensation increase	6.30%	3.00%

• *Invested in U.S. Treasury obligations.*

Total dental coverage trend rates were assumed to be 7% per year, inclusive of general inflation. Dental costs were assumed to be subject to an annual cap of $2,000.

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12. Commitments and Off-Balance-Sheet Exposure

Commitments

Leases
The BIF's allocated share of the FDIC's lease commitments totals $138.4 million for future years. The lease agreements contain escalation clauses resulting in adjustments, usually on an annual basis. The allocation to the BIF of the FDIC's future lease commitments is based upon current relationships of the workloads among the BIF, the SAIF, and the FRF. Changes in the relative workloads could cause the amounts allocated to the BIF in the future to vary from the amounts shown below. The BIF recognized leased space expense of $38.1 million and $41.5 million for the years ended December 31, 2000 and 1999, respectively.

Lease Commitments

Dollars in Thousands

2001	2002	2003	2004	2005	2006/Thereafter
$ 36,547	**$ 34,802**	**$ 25,635**	**$ 16,192**	**$ 10,770**	**$ 14,424**

Off-Balance-Sheet Exposure

Asset Securitization Guarantees
As discussed in Note 7, the BIF provided certain limited guarantees to facilitate securitization transactions. The table below gives the maximum off-balance-sheet exposure the BIF has under these guarantees.

Asset Securitization Guarantees at December 31

Dollars in Thousands

	2000	1999
Maximum exposure under the limited guarantees	$ 406,690	$ 448,881
Less: Guarantee claims paid (inception-to-date)	(33,730)	(32,716)
Less: Amount of exposure recognized as a contingent liability (see Note 7)	(1,605)	(2,477)
Maximum Off-Balance-Sheet Exposure Under the Limited Guarantees	**$ 371,355**	**$ 413,688**

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Deposit Insurance

As of December 31, 2000, deposits insured by the BIF totaled approximately $2.3 trillion. This would be the accounting loss if all depository institutions were to fail and the acquired assets provided no recoveries.

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. The FDIC's estimate of the volume of assets subject to repurchase under existing agreements is $73 million. The actual amount subject to repurchase should be significantly lower because the estimate does not reflect subsequent collections on or sales of assets kept by the acquirer. It also does not reflect any decrease due to acts by the acquirers which might disqualify assets from repurchase eligibility. Repurchase eligibility is determined by the FDIC when the acquirer initiates the asset putback procedures. The FDIC projects that a total of $2.2 million in book value of assets will be putback.

13. Concentration of Credit Risk

As of December 31, 2000, the BIF had $9.1 billion in gross receivables from bank resolutions and $55.7 million in gross assets acquired from assisted banks and terminated receiverships. An allowance for loss of $8.7 billion and $44.0 million, respectively, has been recorded against these assets. The liquidating entities' ability to make repayments to the BIF is largely influenced by the economy of the area in which they are located. The BIF's estimated maximum exposure to possible accounting loss for these assets is shown in the table below.

Concentration of Credit Risk at December 31, 2000

Dollars in Millions

	Southeast	Southwest	Northeast	Midwest	Central	West	Total
Receivables from bank resolutions, net	$174	$6	$39	$9	$63	$58	$349
Assets acquired from assisted banks and terminated receiverships, net	0	12	0	0	0	0	12
Total	**$174**	**$18**	**$39**	**$9**	**$63**	**$58**	**$361**

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14. 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 3 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 comparisons with current interest rates.

The net receivables from bank resolutions primarily include the BIF's subrogated claim arising from payments to insured depositors. The receivership assets that will ultimately be used to pay the corporate subrogated claim are valued using discount rates that include consideration of market risk. These discounts ultimately affect the BIF's allowance for loss against the net receivables from bank resolutions. Therefore, the corporate subrogated claim indirectly includes the effect of discounting and should not be viewed as being stated in terms of nominal cash flows.

Although the value of the corporate subrogated claim is influenced by valuation of receivership assets (see Note 4), such receivership valuation is not equivalent to the valuation of the corporate claim. Since the corporate claim is unique, not intended for sale to the private sector, and has no established market, it is not practicable to estimate its fair market value.

The FDIC believes that a sale to the private sector of the corporate claim would require indeterminate, but substantial discounts for an interested party to profit from these assets because of credit and other risks. In addition, the timing of receivership payments to the BIF on the subrogated claim does not necessarily correspond with the timing of collections on receivership assets. Therefore, the effect of discounting used by receiverships should not necessarily be viewed as producing an estimate of market value for the net receivables from bank resolutions.

The majority of the net assets acquired from assisted banks and terminated receiverships (except real estate) is comprised of various types of financial instruments, including investments, loans and accounts receivables. Like receivership assets, assets acquired from assisted banks and terminated receiverships are valued using discount rates that include consideration of market risk. However, assets acquired from assisted banks and terminated receiverships do not involve the unique aspects of the corporate subrogated claim, and therefore the discounting can be viewed as producing a reasonable estimate of fair market value.

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15. Supplementary Information Relating to the Statements of Cash Flows

Reconciliation of Net Income to Net Cash Provided by Operating Activities for the Years Ended December 31

Dollars in Thousands

	2000	1999
Net Income	**$ 1,260,619**	**$ (106,445)**
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Income Statement Items:		
Provision for insurance losses	(152,962)	1,168,749
Amortization of U.S. Treasury obligations	128,875	164,880
TIIS inflation adjustment	(93,204)	(26,930)
Depreciation on property and equipment	28,799	12,288
Retirement of capitalized equipment	1,152	4,476
Change in Assets and Liabilities:		
(Increase) Decrease in interest receivable on investments and other assets	(85,516)	188,322
Decrease (Increase) in receivables from bank resolutions	602,712	(311,671)
Decrease in assets acquired from assisted banks and terminated receiverships	8,686	17,599
Increase (Decrease) in accounts payable and other liabilities	5,244	(45,219)
(Decrease) in contingent liabilities for anticipated failure of insured institutions	(219,000)	(574,000)
(Decrease) in contingent liabilities for assistance agreements	(10,143)	(13,007)
Increase (Decrease) in contingent liabilities for litigation losses	7,958	(14,595)
(Decrease) in contingent liabilities for asset securitization guarantees	(842)	(4,748)
Net Cash Provided by Operating Activities	**$ 1,482,378**	**$ 459,699**

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Federal Deposit Insurance Corporation

Savings Association Insurance Fund Statements of Financial Position at December 31

Dollars in Thousands

	2000	1999
Assets		
Cash and cash equivalents	$ 149,988	$ 146,186
Cash and other assets: Restricted for SAIF-member exit fees (Note 3) (Includes cash and cash equivalents of $40.2 million and $23.3 million at December 31, 2000 and December 31, 1999, respectively)	283,780	268,490
Investment in U.S. Treasury obligations, net: (Note 4)		
Held-to-maturity securities	7,950,849	8,080,854
Available-for-sale securities	2,708,965	1,898,718
Interest receivable on investments and other assets, net	188,473	153,558
Receivables from thrift resolutions, net (Note 5)	4,147	62,244
Total Assets	**$ 11,286,202**	**$ 10,610,050**
Liabilities		
Accounts payable and other liabilities	$ 7,748	$ 4,888
Contingent liabilities for: (Note 6)		
Anticipated failure of insured institutions	234,083	56,000
Litigation losses	1,943	0
SAIF-member exit fees and investment proceeds held in escrow (Note 3)	283,780	268,490
Total Liabilities	**527,554**	**329,378**
Commitments and off-balance-sheet exposure (Note 11)		
Fund Balance		
Accumulated net income	10,676,477	10,312,416
Unrealized gain/(loss) on available-for-sale securities, net (Note 4)	82,171	(31,744)
Total Fund Balance	**10,758,648**	**10,280,672**
Total Liabilities and Fund Balance	**$ 11,286,202**	**$ 10,610,050**

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

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Savings Association Insurance Fund Statements of Income and Fund Balance for the Years Ended December 31

Dollars in Thousands

	2000	1999
Revenue		
Interest on U.S. Treasury obligations	$ 644,222	$ 585,830
Assessments (Note 7)	19,237	15,116
Other revenue	621	49
Total Revenue	**664,080**	**600,995**
Expenses and Losses		
Operating expenses	110,920	92,882
Provision for insurance losses (Note 8)	180,805	30,648
Other insurance expenses	8,293	626
Total Expenses and Losses	**300,018**	**124,156**
Net Income	**364,062**	**476,839**
Unrealized gain/(loss) on available-for-sale securities, net (Note 4)	113,914	(35,998)
Comprehensive Income	**477,976**	**440,841**
Fund Balance - Beginning	**10,280,672**	**9,839,831**
Fund Balance - Ending	**$ 10,758,648**	**$ 10,280,672**

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

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Savings Association Insurance Fund Statements of Cash Flows for the Years Ended December 31

Dollars in Thousands

	2000	1999
Cash Flows From Operating Activities		
Cash provided by:		
Interest on U.S. Treasury obligations	$ 606,521	$ 606,244
Assessments	19,829	15,384
Entrance and exit fees, including interest on exit fees (Note 3)	14,414	15,487
Recoveries from thrift resolutions	88,451	5,775
Miscellaneous receipts	60	2,310
Cash used by:		
Operating expenses	(107,137)	(91,789)
Disbursements for thrift resolutions	(39,753)	(64,494)
Miscellaneous disbursements	(17)	(306)
Net Cash Provided by Operating Activities (Note 13)	**582,368**	**488,611**
Cash Flows From Investing Activities		
Cash provided by:		
Maturity of U.S. Treasury obligations, held-to-maturity	1,630,000	1,635,000
Maturity of U.S. Treasury obligations, available-for-sale	150,000	425,000
Cash used by:		
Purchase of U.S. Treasury obligations, held-to-maturity	(1,522,399)	(1,326,004)
Purchase of U.S. Treasury obligations, available-for-sale	(819,316)	(1,775,103)
Net Cash Used by Investing Activities	**(561,715)**	**(1,041,107)**
Net Increase/(Decrease) in Cash and Cash Equivalents	**20,653**	**(552,496)**
Cash and Cash Equivalents - Beginning	**169,488**	**721,984**
Unrestricted Cash and Cash Equivalents - Ending	**149,988**	**146,186**
Restricted Cash and Cash Equivalents - Ending	**40,153**	**23,302**
Cash and Cash Equivalents - Ending	**$ 190,141**	**$ 169,488**

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

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Notes to the Financial Statements

December 31, 2000 and 1999

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 funds. All three funds are maintained separately to carry out their respective mandates.

The SAIF and the BIF are insurance funds responsible for protecting insured thrift and bank depositors from loss due to institution failures. The FRF is a resolution fund responsible for winding up the affairs of the former Federal Savings and Loan Insurance Corporation (FSLIC) and liquidating the assets and liabilities transferred from the former Resolution Trust Corporation (RTC).

Pursuant to the Resolution Trust Corporation Completion Act of 1993 (RTC Completion Act), resolution responsibility transferred from the RTC to the SAIF on July 1, 1995. Prior to that date, thrift resolutions were the responsibility of the RTC (January 1, 1989 through June 30, 1995) or the FSLIC (prior to 1989).

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 generally insured by the SAIF; SAIF members are predominantly thrifts supervised by the Office of Thrift Supervision (OTS). Deposits of BIF-member institutions are generally 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 Board.

In addition to traditional thrifts and banks, several other categories of institutions exist. The Federal Deposit Insurance Act (FDI Act), Section 5(d)(3), provides that a member of one insurance fund may, with the approval of its primary federal supervisor, merge, consolidate with, or acquire the deposit liabilities of an institution that is a member of the other insurance fund without changing insurance fund status for the acquired deposits. These institutions with deposits insured by both insurance funds are referred to as Oakar financial institutions. The FDI Act, Section 5(d)(2)(G), allows SAIF-member thrifts to convert to a bank charter and retain their SAIF membership. These institutions are referred to as Sasser financial institutions. The Home Owners' Loan Act (HOLA), Section 5(o), allows BIF-member banks to convert to a thrift charter and retain their BIF membership. These institutions are referred to as HOLA thrifts.

Other Significant Legislation

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

The Omnibus Budget Reconciliation Act of 1990 (1990 OBR Act) and the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) made changes to the FDIC's assessment authority (see Note 7) and borrowing authority. The FDICIA also requires the FDIC to: 1) resolve failing institutions in a manner that will result in the least possible cost to the deposit insurance funds and 2) maintain the insurance funds at 1.25 percent of insured deposits or a higher percentage as circumstances warrant.

The Deposit Insurance Funds Act of 1996 (DIFA) was enacted to provide for: 1) the capitalization of the SAIF to its designated reserve ratio (DRR) of 1.25 percent by means of a one-time special assessment on SAIF-insured deposits; 2) the expansion of the assessment base for payments of the interest on obligations issued by the FICO to include all FDIC-insured thrifts and banks; 3) beginning January 1, 1997, the imposition of a FICO assessment rate on SAIF-assessable deposits that is five times the rate for BIF-assessable deposits through the earlier of December 31, 1999, or the date on which the last savings association ceases to exist; 4) the payment of the annual FICO interest obligation of approximately $790 million on a pro rata basis between thrifts and banks on the earlier of January 1, 2000, or the date on which the last savings association ceases to exist; 5) authorization of SAIF assessments only if needed to

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maintain the fund at the DRR; 6) the refund of amounts in the SAIF in excess of the DRR with such refund not to exceed the previous semiannual assessment; 7) assessment rates for SAIF members not lower than the assessment rates for BIF members with comparable risk; and 8) the merger of the SAIF and the BIF on January 1, 1999, if no insured depository institution is a savings association on that date. Congress did not enact legislation to either merge the SAIF and the BIF or to eliminate the thrift charter.

The DIFA required the establishment of a Special Reserve of the SAIF if, on January 1, 1999, the reserve ratio exceeded the DRR of 1.25 percent. The reserve ratio exceeded the DRR by approximately 0.14 percent on January 1, 1999. As a result, $978 million was placed in a Special Reserve of the SAIF and was administered by the FDIC. On November 12, 1999, the Gramm-Leach-Bliley Act (GLBA) was enacted which eliminated the SAIF Special Reserve.

The GLBA was enacted in order to modernize the financial services industry (banks, brokerages, insurers, and other financial service providers). The GLBA lifts restrictions on affiliations among banks, securities firms, and insurance companies. It also expands the financial activities permissible for financial holding companies and insured depository institutions, their affiliates and subsidiaries.

Recent Legislative Initiatives

Congress continues to focus on legislative proposals that would affect the deposit insurance funds. The FDIC has proposed an initiative to reform the deposit insurance system. Some of the proposals, such as deposit insurance pricing and determining deposit insurance levels, may have a significant impact on the SAIF and the BIF, if enacted into law. However, these proposals continue to vary and FDIC management cannot predict which provisions, if any, will ultimately be enacted.

Operations of the SAIF

The primary purpose of the SAIF is to: 1) insure the deposits and protect the depositors of SAIF-insured institutions and 2) resolve failed institutions, including managing and liquidating their assets. In this capacity, the SAIF has financial responsibility for all SAIF-insured deposits held by SAIF-member institutions and by BIF-member banks designated as Oakar financial institutions.

The SAIF is primarily funded from interest earned on investments in U.S. Treasury obligations and SAIF assessment premiums. Additional funding sources are borrowings from the U.S. Treasury, the Federal Financing Bank (FFB), and the Federal Home Loan Banks, if necessary. The 1990 OBR Act established the FDIC's authority to borrow working capital from the FFB on behalf of the SAIF and the BIF. The FDICIA increased the FDIC's authority to borrow for insurance losses from the U.S. Treasury, on behalf of the SAIF and the BIF, 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). As of December 31, 2000 and December 31,1999, the MOL for the SAIF was $18.4 billion and $16.7 billion, respectively.

Receivership Operations

The FDIC is responsible for managing and disposing of the assets of failed institutions in an orderly and efficient manner. The assets held by receivership entities, and the claims against them, are accounted for separately from SAIF assets and liabilities 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 paid by the SAIF on behalf of the receiverships are recovered from those receiverships.

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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 thrift institutions for which the FDIC acts as receiver or liquidating agent. Periodic and final accountability reports of the FDIC's activities as receiver or liquidating agent are furnished to courts, supervisory authorities, and others as required.

Use of Estimates

FDIC management makes 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.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments with original maturities of three months or less. Cash equivalents consist primarily of Special U.S. Treasury Certificates.

Investments in U.S. Treasury Obligations

Investments in U.S. Treasury obligations are recorded pursuant to the Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." SFAS No. 115 requires that securities be classified in one of three categories: held-to-maturity, available-for-sale, or trading. The SAIF does not designate any securities as trading. Securities designated as held-to-maturity are shown at amortized cost. Amortized cost 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. Securities designated as available-for-sale are shown at market value, which approximates fair value. Unrealized gains and losses are included in Comprehensive Income. Realized gains and losses are included in the Statements of Income and Fund Balance as components of Net Income. Interest on both types of securities is calculated on a daily basis and recorded monthly using the effective interest method.

Allowance for Losses on Receivables From Thrift Resolutions

The SAIF records a receivable for the amounts advanced and/or obligations incurred for resolving failing and failed thrifts. 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 estimates of discounted cash recoveries from the assets of assisted or failed thrifts, net of all applicable estimated liquidation costs.

Cost Allocations Among Funds

Operating expenses not directly charged to the funds are allocated to all funds administered by the FDIC using workload-based-allocation percentages. These percentages are developed during the annual corporate planning process and through supplemental functional analyses.

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, and the FRF. Each fund has fully paid its liability for these benefits directly to the entity. The SAIF's prepaid or accrued postretirement benefit cost is presented in the SAIF's Statements of Financial Position.

Disclosure About Recent Accounting Pronouncements

Statement of Financial Accounting Standards (SFAS) No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of SFAS No. 133," was issued in June 2000. For entities that adopted SFAS No. 133, "Accounting for Derivative

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Instruments and Hedging Activities" prior to June 15, 2000, Statement 138 is effective for all fiscal quarters beginning after June 15, 2000. SFAS No. 138 amends Statement 133 principally for certain issues relating to hedging transactions. The adoption of these statements has no material quantitative or qualitative impact on the SAIF's Statements of Financial Position, Income and Fund Balance, and Cash Flows.

Other recent accounting pronouncements were evaluated and deemed to be not applicable to the financial statements.

Related Parties

The nature of related parties and a description of related party transactions are discussed in Note 1 and disclosed throughout the financial statements and footnotes.

3. Cash and Other Assets: Restricted for SAIF-Member Exit Fees

The SAIF collects 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 (Board) 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. There were no conversion transactions during 2000 and 1999 that resulted in an exit fee to the SAIF.

Cash and Other Assets: Restricted for SAIF-Member Exit Fees at December 31

Dollars in Thousands

	2000	1999
Cash and cash equivalents	$ 40,154	$ 23,302
Investment in U.S. Treasury obligations, net	239,088	239,975
Interest receivable on U.S. Treasury obligations	4,535	4,529
Exit fees receivable	3	684
Total	**$ 283,780**	**$ 268,490**

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U.S. Treasury Obligations at December 31, 2000 (Restricted for SAIF-Member Exit Fees)

Dollars in Thousands

Held-to-Maturity						
Maturity	**Yield at Purchase**	**Face Value**	**Amortized Cost**	**Unrealized Holding Gains**	**Unrealized Holding Losses**	**Market Value**
Less than 1 year	5.52%	$ 15,000	$ 15,093	$ 0	$ (20)	$ 15,073
1-3 years	6.12%	135,000	134,831	2,012	0	136,843
3-5 years	5.79%	20,000	21,189	455	0	21,644
5-10 years	5.20%	64,000	67,975	454	(373)	68,056
Total		**$ 234,000**	**$ 239,088**	**$ 2,921**	**$ (393)**	**$ 241,616**

U.S. Treasury Obligations at December 31, 1999 (Restricted for SAIF-Member Exit Fees)

Dollars in Thousands

Held-to-Maturity						
Maturity	**Yield at Purchase**	**Face Value**	**Amortized Cost**	**Unrealized Holding Gains**	**Unrealized Holding Losses**	**Market Value**
1-3 years	5.90%	$ 115,000	$ 115,336	$ 0	$ (876)	$ 114,460
3-5 years	6.30%	55,000	56,131	217	(582)	55,766
5-10 years	5.20%	64,000	68,508	0	(5,265)	63,243
Total		**$ 234,000**	**$ 239,975**	**$ 217**	**$ (6,723)**	**$ 233,469**

The unamortized premium, net of the unamortized discount, was $5.1 million and $6.0 million at December 31, 2000 and 1999, respectively.

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

Cash received by the SAIF is invested in non-marketable Government Account Series (GAS) market-based U.S. Treasury securities with maturities exceeding three months. As of December 31, 2000 and December 31, 1999, the book value of investments in U.S. Treasury Obligations, net, was $10.7 billion and $10 billion, respectively. The book value is computed by adding the amortized cost of the held-to-maturity securities to the market value of the available-for-sale securities. In 2000, the FDIC purchased $291 million of Treasury inflation-indexed securities (TIIS) for the SAIF. These securities are indexed to increases or decreases in the Consumer Price Index (CPI).

U.S. Treasury Obligations at December 31, 2000 (Unrestricted)

Dollars in Thousands

Held-to-Maturity

Maturity	Yield at Purchase •	Face Value	Amortized Cost	Unrealized Holding Gains	Unrealized Holding Losses	Market Value
Less than one year	5.98%	$ 1,899,500▼	$ 1,902,048	$ 2,346	$ (52)	$ 1,904,342
1-3 years	6.04%	1,640,000	1,675,585	21,246	0	1,696,831
3-5 years	6.62%	930,000	932,512	49,654	0	982,166
5-10 years	5.64%	3,380,394	3,440,704	117,935	(5,768)	3,552,871
Total		**$ 7,849,894**	**$ 7,950,849**	**$ 191,181**	**$ (5,820)**	**$ 8,136,210**

Available-for-Sale

Maturity	Yield at Purchase•	Face Value	Amortized Cost	Unrealized Holding Gains	Unrealized Holding Losses	Market Value
Less than one year	5.17%	$ 80,000	$ 80,269	$ 0	$ (181)	$ 80,088
1-3 years	6.56%	450,000	439,061	14,005	0	453,066
3-5 years	6.14%	805,000	836,059	30,855	0	866,914
5-10 years	4.43%	1,288,270	1,271,405	37,492	0	1,308,897
Total		**$ 2,623,270**	**$ 2,626,794**	**$ 82,352**	**$ (181)**	**$ 2,708,965**

Total Investment in U.S. Treasury Obligations, Net

Total		**$ 10,473,164**	**$ 10,577,643**	**$ 273,533**	**$ (6,001)**	**$ 10,845,175**

• *For Treasury inflation-indexed securities (TIIS), the yields in the above table include their real yields at purchase, not their effective yields. Effective yields on TIIS include a weighted average of Bloomberg's calculation of yield with an inflation assumption. The inflation assumption of 3.4% was the latest year-over-year increase in the Consumer Price Index (CPI) on November 30, 2000. These effective yields are 7.18% and 7.47% for TIIS classified as held-to-maturity and available-for-sale, respectively.*

▼ *Includes two Treasury notes totaling $150 million which matured on Sunday, December 31, 2000. Settlement occurred on the next business day, January 2, 2001.*

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U.S. Treasury Obligations, Net at December 31, 1999 (Unrestricted)

Dollars in Thousands

Held-to-Maturity

Maturity	Yield at Purchase•	Face Value	Amortized Cost	Unrealized Holding Gains	Unrealized Holding Losses	Market Value
Less than one year	5.93%	$ 1,630,000	$ 1,631,605	$ 1,020	$ (1,154)	$ 1,631,471
1-3 years	5.97%	2,915,000	2,937,618	280	(14,021)	2,923,877
3-5 years	6.34%	705,000	739,940	2,131	(4,218)	737,853
5-10 years	5.61%	2,713,214	2,771,691	5,896	(126,467)	2,651,120
Total		**$ 7,963,214**	**$ 8,080,854**	**$ 9,327**	**$ (145,860)**	**$ 7,944,321**

Available-for-Sale

Maturity	Yield at Purchase•	Face Value	Amortized Cost	Unrealized Holding Gains	Unrealized Holding Losses	Market Value
Less than one year	5.62%	$ 150,000	$ 150,379	$ 22	$ (14)	$ 150,387
1-3 years	5.17%	80,000	81,096	0	(1,046)	80,050
3-5 years	6.28%	240,000	255,838	0	(2,151)	253,687
5-10 years	5.03%	1,447,582	1,443,149	0	(28,555)	1,414,594
Total		**$ 1,917,582**	**$ 1,930,462**	**$ 22**	**$ (31,766)**	**$ 1,898,718**

Total Investment in U.S. Treasury Obligations, Net

Total		**$ 9,880,796**	**$ 10,011,316**	**$ 9,349**	**$ (177,626)**	**$ 9,843,039**

• *For Treasury inflation-indexed securities (TIIS), the yields in the above table include their real yields at purchase, not their effective yields. Effective yields on TIIS include a weighted average of Bloomberg's calculation of yield with an inflation assumption. The inflation assumption of 2.6% was the latest year-over-year increase in the Consumer Price Index (CPI) on December 14, 1999. These effective yields are 6.47% and 6.71% for TIIS classified as held-to-maturity and available-for-sale, respectively.*

As of December 31, 2000 and 1999, the unamortized premium, net of the unamortized discount, was $104.5 million and $130.5 million, respectively.

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5. Receivables from Thrift Resolutions, Net

The thrift resolution process takes different forms depending on the unique facts and circumstances surrounding each failing or failed institution. Payments for institutions that fail are made to cover obligations to insured depositors and represent claims by the SAIF against the receiverships' assets. There was one thrift failure in 2000 and one in 1999, with assets at failure of $30 million and $63 million, respectively, and SAIF outlays of $29 million and $63 million, respectively.

Assets held by the FDIC in its receivership capacity for closed SAIF-insured institutions are the main source of repayment of the SAIF's receivables from closed thrifts.

As of December 31, 2000 and 1999, SAIF receiverships held assets with a book value of $56.1 million and $114 million, respectively (including cash and miscellaneous receivables of $48.2 million and $104.0 million at December 31, 2000, and 1999, respectively). The estimated cash recoveries from the management and disposition of these assets that are used to derive the allowance for losses are based, in part, on a statistical sampling of receivership assets. These estimated recoveries are regularly evaluated, but remain subject to uncertainties because of potential changes in economic conditions. These factors could cause the SAIF's and other claimants' actual recoveries to vary from the level currently estimated.

6. Contingent Liabilities for:

Anticipated Failure of Insured Institutions

The SAIF records a contingent liability and a loss provision for thrifts (including Oakar and Sasser financial institutions) that are likely to fail, absent some favorable event such as obtaining additional capital or merging, when the liability becomes probable and reasonably estimable.

The contingent liabilities for anticipated failure of insured institutions as of December 31, 2000 and 1999, were $135 million and $56 million, respectively. The contingent liability is derived in part from estimates of recoveries from the management and disposition of the assets of these probable thrift failures. Therefore, these estimates are subject to the same uncertainties as those affecting the SAIF's receivables from thrift resolutions (see Note 5). Consequently, this could affect the ultimate cost to the SAIF from probable failures.

There are other thrifts where the risk of failure is less certain, but still considered reasonably possible. Should these thrifts fail, the SAIF could incur additional estimated losses ranging from $1 million to $255 million.

The accuracy of these estimates will largely depend on future economic conditions. The Board has the statutory authority to consider the contingent liability from anticipated failures of insured institutions when setting assessment rates.

Litigation Losses

The SAIF records an estimated loss for unresolved legal cases to the extent those losses are considered probable and reasonably estimable. In addition to the amount recorded as probable, the FDIC has determined that losses from unresolved legal cases totaling $617 thousand are reasonably possible.

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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; 3) required the FDIC to build and maintain the reserves in the insurance funds to 1.25 percent of insured deposits; and 4) 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 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 assessment rate averaged approximately 0.24 cents and 0.20 cents per $100 of assessable deposits for 2000 and 1999, respectively. On November 7, 2000, the Board voted to retain the SAIF assessment schedule at the annual rate of 0 to 27 cents per $100 of assessable deposits for the first semiannual period of 2001. The Board reviews premium rates semiannually.

The DIFA (see Note 1) provided, among other things, for the capitalization of the SAIF to its DRR of 1.25 percent by means of a one-time special assessment on SAIF-insured deposits. The SAIF achieved its required capitalization by means of a $4.5 billion special assessment effective October 1, 1996. Since October 1996, the SAIF has maintained a capitalization level at or higher than the DRR of 1.25 percent of insured deposits. As of December 31, 2000, the capitalization level for the SAIF is 1.43 percent of estimated insured deposits.

The DIFA provided for the elimination of the mandatory minimum assessment formerly provided for in the FDI Act. It also provided for the expansion of the assessment base for payments of the interest on obligations issued by the FICO to include all FDIC-insured institutions (including thrifts, banks, and Oakar and Sasser financial institutions). It also made the FICO assessment separate from regular assessments, effective on January 1, 1997.

The FICO assessment has no financial impact on the SAIF. The FICO assessment is separate from the regular assessments and is imposed on thrifts and banks, not on the insurance funds. The FDIC, as administrator of the SAIF and the BIF, is acting solely as a collection agent for the FICO. During 2000 and 1999, $158 million and $426 million, respectively, was collected from SAIF-member institutions and remitted to the FICO.

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8. Provision for Insurance Losses

Provision for insurance losses was $180.8 million and $30.6 million for December 31, 2000 and December 31, 1999, respectively. The large provision in 2000 was primarily attributed to recognizing losses of $186.1 million for the anticipated failure of insured institutions. The following chart lists the major components of the provision for insurance losses.

Provision for Insurance Losses for the Years Ended December 31

Dollars in Thousands

	2000	1999
Valuation Adjustments:		
Closed banks	$ (7,221)	$ (11,352)
Total Valuation Adjustments	**(7,221)**	**(11,352)**
Contingent Liabilities Adjustments:		
Anticipated failure of insured institutions	186,083	42,000
Litigation losses	1,943	0
Total Contingent Liabilities Adjustments	**188,026**	**42,000**
Total	**$ 180,805**	**$ 30,648**

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9. Pension Benefits, Savings Plans, and Accrued Annual Leave

Eligible FDIC employees (permanent and term employees with appointments exceeding one year) are covered by either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). The CSRS is a defined benefit plan, which is 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.

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 on and accounted for by the U.S. Office of Personnel Management.

Eligible FDIC employees also may participate in a FDIC-sponsored tax-deferred 401(k) savings plan with matching contributions. The SAIF pays its share of the employer's portion of all related costs.

The SAIF's pro rata share of the Corporation's liability to employees for accrued annual leave is approximately $5.0 million and $4.4 million at December 31, 2000 and 1999, respectively.

Pension Benefits and Savings Plans Expenses for the Years Ended December 31

Dollars in Thousands

	2000	1999
Civil Service Retirement System	$ 1,603	$ 1,276
Federal Employees Retirement System (Basic Benefit)	4,092	3,268
FDIC Savings Plan	2,594	2,029
Federal Thrift Savings Plan	1,631	1,267
Total	**$ 9,920**	**$ 7,840**

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10. Postretirement Benefits Other Than Pensions

The FDIC provides certain dental and life insurance coverage for its eligible retirees, the retirees' beneficiaries, and covered dependents. Retirees eligible for 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 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.

Postretirement Benefits Other Than Pensions

Dollars in Thousands

		2000		1999
Funded Status at December 31				
Fair value of plan assets*	$	5,479	$	5,160
Less: Benefit obligation		4,811		5,833
Over/(Under) Funded Status of the Plans	**$**	**668**	**$**	**(673)**
Prepaid (accrued) postretirement benefit cost recognized in the Statements of Financial Position	$	101	$	(673)
Expenses and Cash Flows for the Period Ended December 31				
Net periodic benefit cost	$	601	$	483
Employer contributions		223		129
Benefits paid		223		129
Weighted-Average Assumptions at December 31				
Discount rate		5.25%		4.50%
Expected return on plan assets		5.25%		4.50%
Rate of compensation increase		6.30%		3.00%

**Invested in U.S. Treasury obligations.*

Total dental coverage trend rates were assumed to be 7% per year, inclusive of general inflation. Dental costs were assumed to be subject to an annual cap of $2,000.

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11. Commitments and Off-Balance-Sheet Exposure

Commitments

Leases
The SAIF's allocated share of the FDIC's lease commitments totals $19.2 million for future years. The lease agreements contain escalation clauses resulting in adjustments, usually on an annual basis. The allocation to the SAIF of the FDIC's future lease commitments is based upon current relationships of the workloads among the SAIF, the BIF, and the FRF. Changes in the relative workloads could cause the amounts allocated to the SAIF in the future to vary from the amounts shown below. The SAIF recognized leased space expense of $5.7 million at both December 31, 2000 and 1999, respectively.

Lease Commitments

Dollars in Thousands

2001	2002	2003	2004	2005	2006/Thereafter
$ 5,074	$ 4,832	$ 3,559	$ 2,248	$ 1,495	$ 2,003

Off-Balance-Sheet Exposure

Deposit Insurance
As of December 31, 2000, deposits insured by the SAIF totaled approximately $753 billion. This would be the accounting loss if all depository institutions were to fail and the acquired assets provided no recoveries.

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 Notes 3 and 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 comparisons with current interest rates. As explained in Note 3, entrance and exit fees receivables 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.

The net receivables from thrift resolutions primarily include the SAIF's subrogated claim arising from payments to insured depositors. The receivership assets that will ultimately be used to pay the corporate subrogated claim are valued using discount rates that include consideration of market risk. These discounts ultimately affect the SAIF's allowance for loss against the net receivables from thrift resolutions. Therefore, the corporate subrogated claim indirectly includes the effect of discounting and should not be viewed as being stated in terms of nominal cash flows.

Although the value of the corporate subrogated claim is influenced by valuation of receivership assets (see Note 5), such receivership valuation is not equivalent to the valuation of the corporate claim. Since the corporate claim is unique, not intended for sale to the private sector, and has no established market, it is not practicable to estimate its fair market value.

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The FDIC believes that a sale to the private sector of the corporate claim would require indeterminate, but substantial, discounts for an interested party to profit from these assets because of credit and other risks. In addition, the timing of receivership payments to the SAIF on the subrogated claim does not necessarily correspond with the timing of collections on receivership assets. Therefore, the effect of discounting used by receiverships should not necessarily be viewed as producing an estimate of market value for the net receivables from thrift resolutions.

13. Supplementary Information Relating to the Statements of Cash Flows

Reconciliation of Net Income to Net Cash Provided by Operating Activities for the Years Ended December 31

Dollars in Thousands

	2000	1999
Net Income	**$ 364,062**	**$ 476,839**
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Income Statement Items:		
Provision for insurance losses	180,805	30,648
Amortization of U.S. Treasury obligations (unrestricted)	32,317	51,708
TIIS inflation adjustment	(36,930)	(11,818)
Change in Assets and Liabilities:		
Decrease in amortization of U.S. Treasury obligations (restricted)	887	808
(Increase) in entrance and exit fees receivable, including interest receivable on investments and other assets	(33,381)	(13,500)
Decrease (Increase) in receivables from thrift resolutions	64,716	(41,450)
Increase in receivables from acquired fins	(240)	0
Increase (Decrease) in accounts payable and other liabilities	2,842	(2,325)
(Decrease) in contingent liability for anticipated failure of insured institutions	(8,000)	(17,000)
Increase in exit fees and investment proceeds held in escrow	15,290	14,701
Net Cash Provided by Operating Activities	**$ 582,368**	**$ 488,611**

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Federal Deposit Insurance Corporation

FSLIC Resolution Fund Statements of Financial Position at December 31

Dollars in Thousands

	2000	1999
Assets		
Cash and cash equivalents	$ 3,514,541	$ 2,948,138
Receivables from thrift resolutions, net (Note 3)	416,376	1,336,755
Investment in securitization related assets acquired from receiverships (Note 4)	1,811,442	2,725,243
Assets acquired from assisted thrifts and terminated receiverships, net (Note 5)	34,616	34,407
Other assets, net (Note 6)	16,125	36,748
Total Assets	**$ 5,793,100**	**$ 7,081,291**
Liabilities		
Accounts payable and other liabilities	$ 42,618	$ 73,621
Liabilities from thrift resolutions (Note 7)	74,872	296,817
Contingent liabilities for: (Note 8)		
Assistance agreements	0	339
Litigation losses	3,045	1,445
Total Liabilities	**120,535**	**372,222**
Commitments and concentration of credit risk (Note 14 and Note 15)		
Resolution Equity (Note 11)		
Contributed capital	129,484,926	131,328,499
Accumulated deficit	(124,267,778)	(124,999,600)
Unrealized gain on available-for-sale securities, net (Note 4)	455,417	380,170
Accumulated deficit, net	(123,812,361)	(124,619,430)
Total Resolution Equity	**5,672,565**	**6,709,069**
Total Liabilities and Resolution Equity	**$ 5,793,100**	**$ 7,081,291**

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

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FSLIC Resolution Fund Statements of Income and Accumulated Deficit for the Years Ended December 31

Dollars in Thousands

	2000	1999
Revenue		
Interest on securitization related assets acquired from receiverships	$ 85,511	$ 104,232
Interest on U.S. Treasury obligations	145,063	108,001
Interest on advances and subrogated claims (Note 9)	158,865	19,033
Revenue from assets acquired from assisted thrifts and terminated receiverships	15,607	25,476
Limited partnership equity interests and other revenue	25,640	23,787
Realized gain on investment in securitization related assets acquired from receiverships (Note 4)	91,487	93,113
Total Revenue	**522,173**	**373,642**
Expenses and Losses		
Operating expenses	74,102	83,317
Provision for losses (Note 10)	(438,642)	(278,267)
Expenses for goodwill settlements and litigation (Note 1)	94,159	80,921
Expenses for assets acquired from assisted thrifts and terminated receiverships	7,114	15,664
Interest expense on notes payable and other expenses	16,133	6,650
Realized loss on investment in securitization related assets acquired from receiverships (Note 4)	37,485	93,604
Total Expenses and Losses	**(209,649)**	**1,889**
Net Income	**731,822**	**371,753**
Unrealized gain on available-for-sale securities, net (Note 4)	75,247	64,494
Comprehensive Income	**807,069**	**436,247**
Accumulated Deficit - Beginning	**(124,619,430)**	**(125,055,677)**
Accumulated Deficit - Ending	**$ (123,812,361)**	**$ (124,619,430)**

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

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FSLIC Resolution Fund Statements of Cash Flows for the Years Ended December 31

Dollars in Thousands

	2000	1999
Cash Flows From Operating Activities		
Cash provided by:		
Interest on U.S. Treasury obligations	$ 145,063	$ 108,001
Interest on securitization related assets acquired from receiverships	89,417	111,159
Recoveries from thrift resolutions	1,392,486	592,198
Recoveries from limited partnership equity interests	35,616	80,046
Recoveries from assets acquired from assisted thrifts and terminated receiverships	51,474	103,699
Recoveries on conversion of benefit plan	0	28,332
Miscellaneous receipts	440	8,166
Cash used by:		
Operating expenses	(78,978)	(97,299)
Disbursements for thrift resolutions	(121,176)	(82,069)
Disbursements for goodwill settlements and litigation expenses	(94,159)	(80,921)
Disbursements for assets acquired from assisted thrifts and terminated receiverships	(38,196)	(40,690)
Miscellaneous disbursements	(2)	(6)
Net Cash Provided by Operating Activities (Note 17)	**1,381,985**	**730,616**
Cash Flows From Investing Activities		
Cash provided by:		
Investment in securitization related assets acquired from receiverships	1,027,943	1,752,917
Net Cash Provided by Investing Activities	**1,027,943**	**1,752,917**
Cash Flows From Financing Activities		
Cash provided by:		
U.S. Treasury payments for goodwill settlements	25	1,000
Cash used for:		
Return of U.S. Treasury payments (Note 11)	(394,593)	(4,167,774)
Payments to Resolution Funding Corporation (Note 11)	(1,448,957)	0
Net Cash Used by Financing Activities	**(1,843,525)**	**(4,166,774)**
Net Increase/(Decrease) in Cash and Cash Equivalents	**566,403**	**(1,683,241)**
Cash and Cash Equivalents - Beginning	**2,948,138**	**4,631,379**
Cash and Cash Equivalents - Ending	**$ 3,514,541**	**$ 2,948,138**

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

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Notes to the Financial Statements

December 31, 2000 and 1999

1. Legislative History and Operations of the FSLIC Resolution Fund

Legislative History

The U.S. Congress created the Federal Savings and Loan Insurance Corporation (FSLIC) through the enactment of the National Housing Act of 1934. The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) abolished the insolvent FSLIC, created the FSLIC Resolution Fund (FRF), and transferred the assets and liabilities of the FSLIC to the FRF (except those assets and liabilities transferred to the Resolution Trust Corporation (RTC), effective on August 9, 1989. The FRF is responsible for winding up the affairs of the former FSLIC.

The FIRREA was enacted to reform, recapitalize, and consolidate the federal deposit insurance system. In addition to the FRF, FIRREA created 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 funds. All three funds are maintained separately to carry out their respective mandates.

The FIRREA also created the RTC to manage and resolve 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 FIRREA established the Resolution Funding Corporation (REFCORP) to provide part of the initial funds used by the RTC for thrift resolutions. Additionally, funds were appropriated for RTC resolutions pursuant to FIRREA, the RTC Funding Act of 1991, the RTC Refinancing, Restructuring and Improvement Act of 1991, and the RTC Completion Act of 1993.

The RTC's resolution responsibility was extended through subsequent legislation from the original termination date of August 8, 1992. Resolution responsibility transferred from the RTC to the SAIF on July 1, 1995.

The RTC Completion Act of 1993 (RTC Completion Act) terminated the RTC as of December 31, 1995. All remaining assets and liabilities of the RTC were transferred to the FRF on January 1, 1996. Today, the FRF consists of two distinct pools of assets and liabilities: one composed of the assets and liabilities of the FSLIC transferred to the FRF upon the dissolution of the FSLIC on August 9, 1989 (FRF-FSLIC), and the other composed of the RTC assets and liabilities transferred to the FRF on January 1, 1996 (FRF-RTC). The assets of one pool are not available to satisfy obligations of the other.

The RTC Completion Act also made available approximately $18 billion worth of additional funding to the RTC, of which the RTC actually drew down $4.6 billion. The RTC Completion Act requires the FDIC to return to the U.S. Treasury any funds that were transferred to the RTC pursuant to the RTC Completion Act but not needed by the RTC. During 1999 and 2000, the FRF-RTC returned $4.2 billion and $391 million, respectively, to fully repay this appropriation.

The FDIC must transfer to the REFCORP the net proceeds from the FRF's sale of RTC assets, after providing for all outstanding RTC liabilities. Any such funds transferred to the REFCORP pay the interest on the REFCORP bonds issued to fund the early RTC resolutions. Any such payments benefit the U.S. Treasury, which would otherwise be obligated to pay the interest on the bonds. During 2000, the FRF-RTC paid $1.4 billion to the REFCORP.

Operations of the FRF

The FRF will continue operations until all of its assets are sold or otherwise liquidated and all of its liabilities are satisfied. Any funds remaining in the FRF-FSLIC will be paid to the U.S. Treasury. Any remaining funds of the FRF-RTC will be distributed to the REFCORP to pay the interest on the REFCORP bonds.

The FRF has been primarily funded from the following sources: 1) U.S. Treasury appropriations; 2) amounts borrowed by the RTC from the Federal Financing Bank (FFB); 3) amounts received from the issuance of capital certificates to REFCORP; 4) funds received from the management and disposition of assets of the FRF; 5) the FRF's portion of liquidating dividends paid by FRF receiverships; and 6) interest earned on Special U.S. Treasury Certificates purchased with proceeds of 4) and 5). 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 appropriated by Congress, to carry out the objectives of the FRF.

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Public Law 103-327 provided $827 million in funding to be available until expended to facilitate efforts to wind up the resolution activity of the FRF-FSLIC. The FRF received $165 million under this appropriation on November 2, 1995. In addition, Public Law 104-208 and Public Law 105-61 authorized the use by the U.S. Department of Justice (DOJ) of $26.1 million and $33.7 million, respectively, from the original $827 million in funding, thus reducing the amount available to be expended to $602.2 million. The funding made available to DOJ covers the reimbursement of reasonable expenses of litigation incurred in the defense of claims against the United States arising from the goodwill litigation cases.

Additional goodwill litigation expenses incurred by DOJ are paid directly from the FRF-FSLIC based on a Memorandum of Understanding (MOU) dated October 2, 1998, between the FDIC and DOJ. Under the terms of the MOU, the FRF-FSLIC paid $96.9 million and $79.1 million to DOJ for fiscal years 2001 and 2000, respectively. Subsequently, DOJ returns any unused fiscal year funding to the FRF-FSLIC. Separate funding for goodwill judgments and settlements is available through Public Law 106-113 (see Note 8).

Receivership Operations

The FDIC is responsible for managing and disposing of the assets of failed institutions in an orderly and efficient manner. The assets held by receivership entities, and the claims against them, are accounted for separately from FRF assets and liabilities 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.

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 thrift institutions for which the FDIC acts as receiver or liquidating agent. Periodic and final accountability reports of the FDIC's activities as receiver or liquidating agent are furnished to courts, supervisory authorities, and others as required.

Use of Estimates

FDIC management makes 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.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments with original maturities of three months or less. Cash equivalents consist of Special U.S. Treasury Certificates.

Investment in Securitization Related Assets Acquired from Receiverships

The investment in securitization related assets acquired from receiverships is classified as available-for-sale and is shown at fair value with unrealized gains and losses included in Resolution Equity. Realized gains and losses are included in the Statements of Income and Accumulated Deficit as components of Net Income.

Allowance for Losses on Receivables from Thrift Resolutions and Assets Acquired from Assisted Thrifts and Terminated Receiverships

The FRF records a receivable for the amounts advanced and/or obligations incurred for resolving troubled and failed thrifts. The FRF also records as an asset the

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amounts paid for assets acquired from assisted thrifts and terminated receiverships. 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 estimates of discounted cash recoveries from the assets of assisted or failed thrift institutions, net of all applicable estimated liquidation costs. Estimated cash recoveries also include dividends and gains on sales from equity instruments acquired in resolution transactions.

Cost Allocations Among Funds

Operating expenses not directly charged to the funds are allocated to all funds administered by the FDIC using workload-based-allocation percentages. These percentages are developed during the annual corporate planning process and through supplemental functional analyses.

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, and the SAIF. Each fund has fully paid its liability for these benefits directly to the entity. The FRF's prepaid or accrued postretirement benefit cost is presented in the FRF's Statements of Financial Position.

Disclosure About Recent Accounting Pronouncements

Statement of Financial Accounting Standards (SFAS) No.138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of SFAS No. 133," was issued in June 2000. For entities that adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" prior to June 15, 2000, Statement 138 is effective for all fiscal quarters beginning after June 15, 2000. SFAS No.138 amends Statement 133 principally for certain issues relating to hedging transactions. The adoption of these statements has no material quantitative or qualitative impact on the Corporation's Statements of Financial Position, Income and Accumulated Deficit, and Cash Flows.

In September 2000, the Financial Accounting Standards Board (FASB) issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities; a replacement of SFAS No. 125." This statement applies to securitization transactions where the transferor has continuing involvement with the transferred assets or the transferee. SFAS No. 140 is effective for transfers occurring after March 31, 2001. However, disclosure requirements for existing securitizations are effective for fiscal years ending after December 15, 2000. FRF's disclosures for its securitization transactions, which conform to the SFAS No. 140 requirements, are discussed in Note 4.

Other recent accounting pronouncements were evaluated and deemed to be not applicable to the financial statements.

Related Parties

Limited Partnership Equity Interests. Former RTC receiverships were holders of limited partnership equity interests as a result of various RTC sales programs that included the National Land Fund, Multiple Investor Fund, N-Series, and S-Series programs. The majority of the limited partnership equity interests have been transferred from the receiverships to the FRF. These assets are included in the "Other Assets" line item in the FRF's Statements of Financial Position.

The nature of related parties and a description of related party transactions are discussed in Footnote 1 and disclosed throughout the financial statements and footnotes.

Reclassifications

Reclassifications have been made in the 1999 financial statements to conform to the presentation used in 2000.

Restatement

The credit enhancement reserve included in the "Investment in securitization related assets acquired from receiverships" has been restated to conform with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The change is due to recognizing realized losses that represent an other-than-temporary decline in fair value. As a result, the cost basis of the asset was

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written down to reflect these losses. Further, the unrealized gains and losses on the credit enhancement reserve were restated to adjust the cumulative balance of credit losses. The impact of this restatement on the January 1, 1999 accumulated deficit is a reduction of $20.1 million.

Additionally, corrections were made to the "Contingent liability for assistance agreements" to reverse amounts that were erroneously calculated. The impact of this restatement on the January 1, 1999 accumulated deficit is a reduction of $4.4 million.

3. Receivables from Thrift Resolutions, Net

The thrift resolution process took different forms depending on the unique facts and circumstances surrounding each failing or failed institution. Payments for institutions that failed were made to cover obligations to insured depositors and represent claims by the FRF against the receiverships' assets. Payments to prevent a failure were made to operating institutions when cost and other criteria were met.

Assets held by the FDIC in its receivership capacity for the former FSLIC and SAIF-insured institutions are the main source of repayment of the FRF's receivables from thrift resolutions. As of December 31, 2000 and 1999, FRF receiverships held assets with a book value of $712 million and $2.1 billion, respectively (including cash and miscellaneous receivables of $493 million and $1.5 billion at December 31, 2000 and 1999, respectively). The estimated cash recoveries from the management and disposition of these assets that are used to derive the allowance for losses are based in part on a statistical sampling of receivership assets. These estimated recoveries are regularly evaluated, but remain subject to uncertainties because of potential changes in economic conditions. These factors could cause the FRF's and other claimants' actual recoveries to vary from the level currently estimated.

Receivables from Thrift Resolutions, Net at December 31

Dollars in Thousands

	2000	1999
Assets from open thrift assistance	$ 384,882	$ 393,697
Allowance for losses	(371,557)	(371,557)
Net Assets From Open Thrift Assistance	**13,325**	**22,140**
Receivables from closed thrifts	37,883,574	54,970,991
Allowance for losses	(37,480,523)	(53,656,376)
Net Receivables From Closed Thrifts	**403,051**	**1,314,615**
Total	**$ 416,376**	**$ 1,336,755**

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Representations and Warranties

The RTC provided guarantees, representations, and warranties on approximately $108 billion in unpaid principal balance of loans sold and approximately $125 billion in unpaid principal balance of loans under servicing right contracts that had been sold. In general, the guarantees, representations, and warranties on loans sold related to the completeness and accuracy of loan documentation, the quality of the underwriting standards used, the accuracy of the delinquency status when sold, and the conformity of the loans with characteristics of the pool in which they were sold. The representations and warranties made in connection with the sale of servicing rights were limited to the responsibilities of acting as a servicer of the loans. Future losses on representations and warranties could be incurred over the remaining life of the loans sold and could be in effect as long as 20 years.

The FRF includes estimates of corporate losses related to the receiverships' representations and warranties as part of the FRF's allowance for loss valuation. The allowance for these estimated losses was $1.6 million and $30 million as of December 31, 2000 and 1999, respectively. The contingent liability for representations and warranties associated with loan sales that involved assets acquired from assisted thrifts and terminated receiverships is included in "Accounts payable and other liabilities" ($1.5 million and $4 million for 2000 and 1999, respectively). Based on recent evaluations of the payment history associated with these obligations and the number of contract expirations anticipated in the near future, the estimate of the allowance indicated above, should be sufficient to cover future exposure from these obligations.

4. Investment in Securitization Related Assets Acquired from Receiverships

Through 1995, the RTC sold, through its mortgage-backed securities securitization program, $42.4 billion of receivership, conservatorship, and corporate loans. These loans were secured by various types of real estate including residential homes, multi-family dwellings and commercial properties. Each securitization transaction was accomplished through the creation of a trust which purchased these loans and issued regular pass-through certificates to the public through licensed brokerage houses. The receiverships retained residual pass-through certificates that were entitled to any remaining cash flows from the trusts after satisfying the expenses of the trusts and the obligations to regular pass-through holders.

To increase the likelihood of full and timely distributions of principal and interest to regular certificate holders and increase the marketability of the certificates, the various rating agencies required the RTC to place a portion of the proceeds from the sale of the regular certificates in credit enhancement reserve or escrow accounts to cover future losses from the loans underlying the regular certificates. Additional protection for the regular certificate holders from these losses was provided by a clause included in certain Pooling and Servicing Agreements (PSA) stipulating that losses experienced by the credit enhancement reserve over the life of the transactions would be reimbursed from proceeds expected from the residual certificates. At the end of 2000, 15 deals that were structured with PSA clauses stipulating reimbursement from the proceeds of the residual certificates.

In 1996 and 1998, the escrow accounts and residual certificates were transferred from the receiverships to the FRF for $5.7 billion and $1.4 billion, respectively. Both transfers were offset by amounts owed by the receiverships to the FRF. During 2000, the FRF received $413 million in proceeds from terminated securitization deals and $910 million during 1999. Interest income earned on investments in securitization related assets during 2000 was $85.5 million and $104.2 million during 1999.

Realized gains and losses are recorded based upon the difference between the proceeds at termination of the deal and the cost basis of the investment. This calculation is performed for both the residual certificates and the credit enhancement reserves. Additionally, realized losses are recognized on the credit enhancement reserve for a decline in fair value that is judged to be an other-than-temporary impairment. Unrealized gains and losses are computed quarterly using a cash flow model that projects the estimated fair values for each transaction based on a forecast of the projected termination of each deal. This model is updated with current data supplied by the trustees, which includes prepayment speed, delinquency rates, and market pricing.

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Investment in Securitization Related Assets Acquired from Receiverships at December 31, 2000

Dollars in Thousands

	Cost	Unrealized Holding Gains	Unrealized Holding Losses	Fair Value
Credit enhancement accounts	$ 799,518	$ 248,731	$ (43,645)	$ 1,004,604
Residual certificates	556,507	252,419	(2,088)	806,838
Total	**$ 1,356,025**	**$ 501,150**	**$ (45,733)**	**$ 1,811,442**

Investment in Securitization Related Assets Acquired from Receiverships at December 31, 1999

Dollars in Thousands

	Cost	Unrealized Holding Gains	Unrealized Holding Losses	Fair Value
Credit enhancement accounts	$ 1,473,172	$ 315,629	$ (47,276)	$ 1,741,525
Residual certificates	871,901	111,817	0	983,718
Total	**$ 2,345,073**	**$ 427,446**	**$ (47,276)**	**$ 2,725,243**

5. Assets Acquired from Assisted Thrifts and Terminated Receiverships, Net

The FRF's assets acquired from assisted thrifts and terminated receiverships include: 1) assets the former FSLIC and the former RTC purchased from failing or failed thrifts and 2) assets the FRF acquired from receiverships and purchased under assistance agreements. The methodology to estimate cash recoveries from these assets, which is used to derive the related allowance for losses, is similar to that for receivables from thrift resolutions (see Note 3). The estimated cash recoveries are based upon a statistical sampling of the assets but only include expenses for the disposition of the assets to represent liquidating value.

The FRF recognizes revenue and expenses on these acquired assets. Revenue consists primarily of proceeds from interest earned on assets in liquidation, professional liability claims, proceeds and/or settlements from conflicts and criminal restitutions, and other liquidation income. Expenses are recognized for the disposition and administration of these assets.

Assets Acquired from Assisted Thrifts and Terminated Receiverships, Net at December 31

Dollars in Thousands

	2000	1999
Assets acquired from assisted thrifts and terminated receiverships	$ 107,617	$ 148,584
Allowance for losses	(73,001)	(114,177)
Total	**$ 34,616**	**$ 34,407**

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6. Other Assets, Net

Other Assets, Net at December 31

Dollars in Thousands

	2000	1999
Accounts receivable	$ 4,815	$ 7,159
Due from FDIC fund-BIF	309	0
Limited partnership equity interests	11,001	29,589
Total	**$ 16,125**	**$ 36,748**

7. Liabilities from Thrift Resolutions

Liabilities from thrift resolutions decreased by $223.5 million as a result of eliminating the reserve estimated for the future costs associated with liquidating the assets of failed thrifts. In prior years, this reserve was appropriate because of large amounts of assets held in liquidation and funding concerns faced by the former RTC in the mid and latter 1990s. Because of the rapid wind-down of the FRF-RTC activity over the past years, funding concerns have diminished. The net effect in 2000 of this change in estimate is a decrease to the accumulated deficit of $223.5 million.

In addition, 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. Pursuant to FIRREA, the FRF assumed these obligations. Notes payable and obligations for assistance agreements are presented in the "Liabilities from thrift resolutions" line item.

8. Contingent Liabilities for:

Litigation Losses

The FRF records an estimated loss for unresolved legal cases to the extent those losses are considered probable and reasonably estimable. In addition to the amount recorded as probable, the FDIC has determined that losses from unresolved legal cases totaling $10 million are reasonably possible.

Additional Contingency

In **United States v. Winstar Corp.**, 518 U.S. 839 (1996), the Supreme Court held that when it became impossible following the enactment of FIRREA in 1989 for the Federal Home Loan Bank Board to perform certain agreements to count goodwill toward regulatory capital, the plaintiffs were entitled to recover damages from the United States. To date, approximately 120 lawsuits have been filed against the United States based on alleged breaches of these agreements (Goodwill Litigation).

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On July 23, 1998, the U.S. Treasury determined, based on an opinion of the DOJ's Office of Legal Counsel (OLC) dated July 22, 1998, that the FRF is legally available to satisfy all judgments and settlements in the Goodwill Litigation involving supervisory action or assistance agreements. The U.S. Treasury further determined that the FRF is the appropriate source of funds for payments of any such judgments and settlements.

The OLC opinion concluded that the nonperformance of these agreements was a contingent liability that was transferred to the FRF on August 9, 1989, upon the dissolution of the FSLIC. Under the analysis set forth in the OLC opinion, as liabilities transferred on August 9, 1989, these contingent liabilities for future nonperformance of prior agreements with respect to supervisory goodwill were transferred to the FRF-FSLIC, which is that portion of the FRF encompassing the obligations of the former FSLIC. The FRF-RTC, which encompasses the obligations of the former RTC and was created upon the termination of the RTC on December 31, 1995, is not available to pay any settlements or judgments arising out of the Goodwill Litigation.

The lawsuits comprising the Goodwill Litigation are against the United States and as such are defended by the DOJ. On January 18, 2001, the DOJ again informed the FDIC that it is "unable at this time to provide a reasonable estimate of the aggregate loss to the FRF from the 120 Winstar-related cases." The DOJ notes that this uncertainty arises, in part, from the existence of significant unresolved issues pending at the appellate or trial court level, as well as the unique circumstances of each case.

The FDIC believes that it is probable that additional amounts, possibly substantial, may be paid from the FRF-FSLIC as a result of judgments and settlements in the Goodwill Litigation. However, based on the response from the DOJ, the FDIC is unable to estimate a range of loss to the FRF-FSLIC from the Goodwill Litigation, or determine whether any such loss would have a material effect on the financial condition of the FRF-FSLIC.

Section 110 of the Department of Justice Appropriations Act, 2000 (Public Law 106-113, Appendix A, Title I, 113 Stat. 1501A-3, 1501A-20) provides to the FRF-FSLIC such sums as may be necessary for the payment of judgments and compromise settlements in the Goodwill Litigation, to remain available until expended. Even if the Goodwill Litigation judgments and compromise settlements were to exceed other available resources of the FRF-FSLIC, an appropriation is available to pay such judgments and settlements. In these circumstances, any liabilities for the Goodwill Litigation should have no material impact on the financial condition of the FRF-FSLIC.

9. Interest on Advances and Subrogated Claims

During 2000, the FRF received $68.8 million in cash from RTC receiverships for interest on claims owed RTC arising out of thrift failures. No accrual was previously recognized on these amounts due to the uncertainty surrounding the receiverships' ability to pay the interest due on the Corporate claim. At year end 2000, the FRF accrued $90.0 million for interest deemed likely to be received within the next year from receiverships that have paid higher priority claims in full.

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10. Provision for Losses

The provision for losses was a negative $439 million and a negative $278 million for 2000 and 1999, respectively. In 2000, the negative provision was primarily due to: 1) the elimination of the reserve for the estimated future costs associated with liquidating the assets of failed thrifts of $223.5 million (see Note 7) and 2) cash recoveries from assistance agreements of $86 million for net tax benefits sharing collections and $36 million for the redemption of stock warrants. The negative provision in 1999 resulted primarily from decreased losses expected for assets in liquidation. The following chart lists the major components of the negative provision for losses.

Provision for Losses for the Years Ended December 31

Dollars in Thousands

	2000	1999
Valuation Adjustments:		
Open thrift assistance	$ (38,049)	$ 10,092
Tax benefits sharing recoveries	(86,001)	(110,061)
Closed thrifts	(14,585)	(284,699)
Estimated cost associated with liquidating assets	(223,500)	95,000
Assets acquired from assisted thrifts and terminated receiverships	(5,534)	15,907
Investment in securitization related assets acquired from receiverships	0	16,357
Miscellaneous receivables	(65,359)	0
Total Valuation Adjustments	**(433,028)**	**(257,404)**
Contingent Liabilities Adjustments:		
Litigation losses	(5,614)	(20,863)
Total Contingent Liabilities Adjustments	**(5,614)**	**(20,863)**
Total	**$ (438,642)**	**$ (278,267)**

11. Resolution Equity

As stated in the Legislative History section of Note 1, the FRF is comprised of two distinct pools: the FRF-FSLIC and the FRF-RTC. The FRF-FSLIC consists of the assets and liabilities of the former FSLIC. The FRF-RTC consists of the assets and liabilities of the former RTC. Pursuant to legal restrictions, the two pools are maintained separately and the assets of one pool are not available to satisfy obligations of the other.

The following table shows the contributed capital, accumulated deficit, and resulting resolution equity for each pool.

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Resolution Equity at December 31, 2000

Dollars in Thousands

	FRF-FSLIC	FRF-RTC	FRF Consolidated
Contributed capital - beginning	$ 44,157,000	$ 87,171,499	$ 131,328,499
Miscellaneous payments/adjustments	25	(48)	(23)
Less: U.S. Treasury repayments	0	(394,593)	(394,593)
Less: REFCORP payments	0	(1,448,957)	(1,448,957)
Contributed capital - ending	**44,157,025**	**85,327,901**	**129,484,926**
Accumulated deficit	(41,738,151)	(82,529,627)	(124,267,778)
Less: Unrealized gain on available-for-sale securities	0	455,417	455,417
Accumulated deficit, net	**(41,738,151)**	**(82,074,210)**	**(123,812,361)**
Total	**$ 2,418,874**	**$ 3,253,691**	**$ 5,672,565**

Resolution Equity at December 31, 1999

Dollars in Thousands

	FRF-FSLIC	FRF-RTC	FRF Consolidated
Contributed capital - beginning	$ 44,156,000	$ 91,334,742	$ 135,490,742
Miscellaneous payments/adjustments	1,000	4,531	5,531
Less: U.S. Treasury repayments	0	(4,167,774)	(4,167,774)
Contributed capital - ending	**44,157,000**	**87,171,499**	**131,328,499**
Accumulated deficit	(41,925,270)	(83,074,330)	(124,999,600)
Less: Unrealized gain on available-for-sale securities	0	380,170	380,170
Accumulated deficit, net	**(41,925,270)**	**(82,694,160)**	**(124,619,430)**
Total	**$ 2,231,730**	**$ 4,477,339**	**$ 6,709,069**

Contributed Capital

To date, the FRF-FSLIC and the former RTC received $43.5 billion and $60.1 billion from the U.S. Treasury, respectively. These payments were used to fund losses from thrift resolutions prior to July 1, 1995. Additionally, the FRF-FSLIC issued $670 million in capital certificates to the FICO and the RTC issued $31.3 billion of these instruments to the REFCORP. FIRREA prohibited the payment of dividends on any of these capital certificates. Through December 31, 2000, as described in Note 1, the FRF-RTC has returned $4.556 billion to the U.S. Treasury and made payments of $1.4 billion to the REFCORP. These actions serve to reduce contributed capital.

Accumulated Deficit

The accumulated deficit represents the cumulative excess of expenses over revenue for activity related to the former FSLIC and the former RTC ($29.7 billion and $87.9 billion were brought forward from the FSLIC and RTC, respectively).

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

Eligible FDIC employees (permanent and term employees with appointments exceeding one year) are covered by either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). The CSRS is a defined benefit plan, which is 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.

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 on and accounted for by the U.S. Office of Personnel Management.

Eligible FDIC employees also may participate in a FDIC-sponsored tax-deferred 401(k) savings plan with matching contributions. The FRF pays its share of the employer's portion of all related costs.

The FRF's pro rata share of the Corporation's liability to employees for accrued annual leave is approximately $5.2 million and $6.9 million at December 31, 2000 and 1999, respectively.

Pension Benefits and Savings Plans Expenses for the Years Ended December 31

Dollars in Thousands

	2000	1999
Civil Service Retirement System	$ 1,152	$ 1,367
Federal Employees Retirement System (Basic Benefit)	3,708	4,687
FDIC Savings Plan	2,186	2,619
Federal Thrift Savings Plan	1,408	1,767
Total	**$ 8,454**	**$ 10,440**

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13. Postretirement Benefits Other Than Pensions

The FDIC provides certain dental and life insurance coverage for its eligible retirees, the retirees' beneficiaries and covered dependents. Retirees eligible for 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 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.

Postretirement Benefits Other Than Pensions

Dollars in Thousands

	2000	1999
Funded Status at December 31		
Fair value of plan assets•	$ 15,921	$ 14,994
Less: Benefit obligation	14,985	16,130
Over/(Under) Funded Status of the Plans	**$ 936**	**$ (1,136)**
Prepaid (accrued) postretirement benefit cost recognized in the Statements of Financial Position	$ 347	$ (1,136)
Expenses and Cash Flows for the Period Ended December 31		
Net periodic benefit cost	$ 552	$ 563
Employer contributions	232	202
Benefits paid	232	202
Weighted-Average Assumptions at December 31		
Discount rate	5.25%	4.50%
Expected return on plan assets	5.25%	4.50%
Rate of compensation increase	6.30%	3.00%

•*Invested in U.S. Treasury obligations.*

Total dental coverage trend rates were assumed to be 7% per year, inclusive of general inflation. Dental costs were assumed to be subject to an annual cap of $2,000.

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14 Commitments

Letters of Credit

The RTC had adopted special policies that included honoring outstanding conservatorship and receivership collateralized letters of credit. This enabled the RTC to minimize the impact of its actions on capital markets. In most cases, these letters of credit were issued by thrifts that later failed and were used to guarantee tax-exempt bonds issued by state and local housing authorities or other public agencies to finance housing projects for low and moderate income individuals or families. As of December 31, 2000 and 1999, securities pledged as collateral to honor these letters of credit totaled $7.5 million and $7.6 million, respectively. The FRF estimated corporate losses related to the receiverships' letters of credit as part of the allowance for loss valuation. The allowance for these losses was $2.3 million and $1.1 million as of December 31, 2000 and 1999, respectively.

Leases

The FRF's allocated share of the FDIC's lease commitments totals $14.2 million for future years. The lease agreements contain escalation clauses resulting in adjustments, usually on an annual basis. The allocation to the FRF of the FDIC's future lease commitments is based upon current relationships of the workloads among the FRF, the BIF, and the SAIF. Changes in the relative workloads could cause the amounts allocated to the FRF in the future to vary from the amounts shown below. The FRF recognized leased space expense of $5.0 million and $7.2 million for the years ended December 31, 2000 and 1999, respectively.

Lease Commitments

Dollars in Thousands

2001	2002	2003	2004	2005	2006/Thereafter
$ 3,938	$ 3,778	$ 2,628	$ 1,507	$ 1,141	$ 1,203

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15. Concentration of Credit Risk

As of December 31, 2000, the FRF had gross receivables from thrift resolutions totaling $38.3 billion, gross assets acquired from assisted thrifts and terminated receiverships totaling $107.6 million, and an investment in securitization related assets acquired from receiverships totaling $1.8 billion. The allowance for loss against receivables from thrift resolutions totaled $37.8 billion, and the allowance against the assets acquired from assisted thrifts and terminated receiverships totaled $73 million.

Cash recoveries may be influenced by economic conditions. Similarly, the value of the investment in securitization related assets acquired from receiverships can be influenced by the economy of the area relating to the underlying loans and other assets. Accordingly, the FRF's maximum exposure to possible accounting loss is the recorded (net of allowance) value and is also shown in the table below.

Concentration of Credit Risk at December 31, 2000

Dollars in Millions

	Southeast	Southwest	Northeast	Midwest	Central	West	Total
Receivables from thrift resolutions, net	$ 18	$ 15	$ 42	$ 4	$ 36	$ 301	$ 416
Assets acquired from assisted thrifts and terminated receiverships, net	0	34	1	0	0	0	35
Investment in securitization related assets acquired from receiverships	342	217	268	65	53	866	1,811
Total	**$ 360**	**$ 266**	**$ 311**	**$ 69**	**$ 89**	**$ 1,167**	**$ 2,262**

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 short-term receivables and accounts payable and other liabilities approximates their fair market value. This is due to their short maturities or comparisons with current interest rates.

The net receivables from thrift resolutions primarily include the FRF's subrogated claim arising from payments to insured depositors. The receivership assets that will ultimately be used to pay the corporate subrogated claim are valued using discount rates that include consideration of market risk. These discounts ultimately affect the FRF's allowance for loss against the net receivables from thrift resolutions. Therefore, the corporate subrogated claim indirectly includes the effect of discounting and should not be viewed as being stated in terms of nominal cash flows.

Although the value of the corporate subrogated claim is influenced by valuation of receivership assets (see Note 3), such receivership valuation is not equivalent to the valuation of the corporate claim. Since the corporate claim is unique, not intended for sale to the private sector, and has no established market, it is not practicable to estimate its fair market value.

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The FDIC believes that a sale to the private sector of the corporate claim would require indeterminate, but substantial, discounts for an interested party to profit from these assets because of credit and other risks. In addition, the timing of receivership payments to the FRF on the subrogated claim does not necessarily correspond with the timing of collections on receivership assets. Therefore, the effect of discounting used by receiverships should not necessarily be viewed as producing an estimate of market value for the net receivables from thrift resolutions.

The majority of the net assets acquired from assisted thrifts and terminated receiverships (except real estate) is comprised of various types of financial instruments, including investments, loans, and accounts receivable. Like receivership assets, assets acquired from assisted thrifts and terminated receiverships are valued using discount rates that include consideration of market risk. However, assets acquired from assisted thrifts and terminated receiverships do not involve the unique aspects of the corporate subrogated claim, and therefore the discounting can be viewed as producing a reasonable estimate of fair market value.

The investment in securitization related assets acquired from receiverships is adjusted to fair value at each reporting date using a valuation model that estimates the present value of estimated expected future cash flows discounted for the various risks involved, including both market and credit risks, as well as other attributes of the underlying assets (see Note 4).

17. Supplementary Information Relating to the Statements of Cash Flows

Reconciliation of Net Income to Net Cash Provided by Operating Activities for the Years Ended December 31

Dollars in Thousands

	2000	1999
Net Income	**$ 731,822**	**$ 371,753**
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Income Statement Items:		
Provision for losses	(438,642)	(278,267)
Prior year appropriation adjustments	(48)	4,531
Change in Assets and Liabilities:		
Decrease in receivables from thrift resolutions	1,282,069	467,338
(Increase)/Decrease in securitization related assets acquired from receiverships	(38,895)	14,289
Decrease in assets acquired from assisted thrifts and terminated receiverships	5,324	13,788
Decrease in other assets	85,922	6,092
(Decrease)/Increase in accounts payable and other liabilities	(30,943)	34,710
(Decrease)/Increase in liabilities from thrift resolutions	(221,944)	92,414
Increase in contingent liabilities for litigation losses	7,215	3,968
Increase in contingent liabilities for assistance agreements	105	0
Net Cash Provided by Operating Activities	**$ 1,381,985**	**$ 730,616**

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Comptroller General
of the United States

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

To the Board of Directors
Federal Deposit Insurance Corporation

We have audited the statements of financial position as of December 31, 2000 and 1999, for the three funds administered by the Federal Deposit Insurance Corporation (FDIC), the related statements of income and fund balance (accumulated deficit), and the 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 FSLIC Resolution Fund (FRF), we found

- the financial statements of each fund are presented fairly in conformity with U.S. generally accepted accounting principles;
- although certain internal controls should be improved, FDIC had effective internal control over financial reporting (including safeguarding of assets) and compliance with laws and regulations; and
- no reportable noncompliance with the laws and regulations that we tested.

The following sections discuss our conclusions in more detail. They also present information on (1) the scope of our audits, (2) a reportable condition[1] related to information system general control weaknesses noted during our 2000 audits, (3) the future of FRF, and (4) our evaluation of FDIC's comments on a draft of this report.

Opinion on Bank Insurance Fund's Financial Statements

The financial statements including the accompanying notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the Bank Insurance Fund's financial position as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended.

Opinion on Savings Association Insurance Fund's Financial Statements

The financial statements including the accompanying notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the Savings Association Insurance Fund's financial position as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended.

1 Reportable conditions involve matters coming to the auditor's attention that, in the auditor's judgment, should be communicated because they represent significant deficiencies in the design or operation of internal control, and could adversely affect FDIC's ability to meet the control objectives described in this report.

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Opinion on FSLIC Resolution Fund's Financial Statements

The financial statements including the accompanying notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the FSLIC Resolution Fund's financial position as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended.

As discussed in note 8 of FRF's financial statements, a contingency exists from approximately 120 lawsuits filed in the United States Court of Federal Claims concerning the counting of goodwill assets as part of regulatory capital. FDIC has concluded that it is probable that FRF will be required to pay possibly substantial amounts as a result of future judgments and settlements. FDIC is currently unable to estimate a range of loss to FRF, or determine whether any such loss would have a material effect on the financial condition of FRF. However, funds to pay such judgments or compromise settlements from these goodwill litigation cases are made available to the FRF by an indefinite, permanent appropriation as provided by Section 110 of the Department of Justice Appropriations Act, 2000.

Opinion on Internal Control

Although certain internal controls should be improved, FDIC management maintained, in all material respects, effective internal control over financial reporting (including safeguarding assets) and compliance as of December 31, 2000, that provided reasonable assurance that misstatements, losses, or noncompliance, material in relation to the FDIC's financial statements would be prevented or detected on a timely basis. FDIC management asserted that its internal control was effective based on criteria established under 31 U.S.C. 3512 (Federal Managers' Financial Integrity Act –FMFIA). In making its assertion, FDIC management also fairly stated the need to improve certain internal controls.

Our work identified weaknesses in FDIC's information system general controls, as described as a reportable condition in a later section of this report. The weakness in information system general controls, although not considered material, represents a significant deficiency in the design or operations of internal control that could adversely affect FDIC's ability to meet its internal control objectives. Although the weakness did not materially affect the 2000 financial statements, misstatements may nevertheless occur in other FDIC-reported financial information as a result of the internal control weakness.

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 U.S. 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's management is responsible for (1) preparing the annual financial statements in conformity with U.S. generally accepted accounting principles, (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of FMFIA are met, and (3) complying with applicable laws and regulations.

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We are responsible for obtaining reasonable assurance about whether (1) the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, and (2) management maintained effective internal control, the objectives of which are

- financial reporting – transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in conformity with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and
- compliance with laws and regulations – transactions are executed in accordance with laws and regulations that could have a direct and material effect on the financial statements.

We are also responsible for testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the financial statements;
- obtained an understanding of internal control related to financial reporting, including safeguarding assets, and compliance with laws and regulations, including the execution of transactions in accordance with management's authority;
- tested relevant internal control over financial reporting, including safeguarding assets, and compliance, and evaluated the design and operating effectiveness of internal control;
- considered FDIC's process for evaluating and reporting on internal control based on criteria established by FMFIA; and
- tested compliance with selected provisions of the Federal Deposit Insurance Act, as amended and the Chief Financial Officers Act of 1990.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance 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 did not test compliance with all laws and regulations applicable to FDIC. We limited our tests of compliance to those deemed applicable to the financial statements for the year ended December 31, 2000. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We conducted our audits from July 2000 through April 6, 2001. We performed our work in accordance with U.S. generally accepted government auditing standards.

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

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Reportable Condition

As part of the financial statement audits, we reviewed FDIC's information systems general controls. The primary objectives of information system general controls are to safeguard data, protect computer application programs, prevent system software from unauthorized access, and ensure continued computer operations in case of unexpected interruption. Information system general controls include corporatewide security program planning and management, access controls, system software, application software development and change controls, segregation of duties, and service continuity controls. The effectiveness of application controls[2] depends on the effectiveness of general controls. Both information system general controls and application controls must be effective to help ensure the reliability, appropriate confidentiality, and availability of critical automated information.

In performing our tests, we identified weaknesses in FDIC's corporatewide security program, access controls, segregation of duties, system software, and service continuity. As we have reported to FDIC in 1998 and 1999,[3] the underlying cause of many of these general control weaknesses is rooted in the lack of a fully implemented and effective corporatewide security program. This critical area is generally the foundation of an entity's security control, and reflects the entity's commitment to addressing security risks over the long term. In our 1999 report, we provided FDIC with recommended corrective actions and acknowledged that it takes a significant and sustained effort by FDIC management to establish an effective corporatewide security program. In response, FDIC management stated its commitment to implement a strong information system environment. During 2000, we found that FDIC developed plans for correcting many of the weaknesses we identified, however, implementation of these plans had not occurred as of December 31, 2000.

The weaknesses in information system general controls can significantly impair the effectiveness of all FDIC's application controls, including financial systems. We considered the effect of the information system general control weaknesses and determined that other management controls mitigated their effect on the financial statements. Because of their sensitive nature, the details surrounding these weaknesses are being communicated to FDIC management, along with our recommendations for corrective actions, through separate correspondence.

In addition to these weaknesses, we identified less significant matters involving FDIC's system of internal accounting control that we will be reporting in separate correspondence to FDIC management.

Future of FRF

FDIC, as administrator of FRF, is responsible for completing the liquidation of the assets and liabilities of the former Federal Savings and Loan Insurance Corporation (FSLIC) and Resolution Trust Corporation (RTC).[4] FRF will continue operations until all of its assets are sold or otherwise liquidated and all of its liabilities are satisfied. As

2 Application controls consist of the structure, policies, and procedures that apply to separate, individual systems, such as accounts payable and general ledger systems.

3 Because of their sensitive nature, in 1998 and 1999 we communicated to FDIC management the details surrounding the weaknesses and vulnerabilities we identified, along with our recommendations for corrective action, through separate correspondence.

4 On January 1, 1996, FRF assumed responsibility for all remaining assets and liabilities of the former RTC.

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Table 1:
FRF's Assets and Liabilities as of January 1, 1996, and December 31, 2000

Dollars in Billions

	Jan. 1, 1996	Dec. 31, 2000	Percent Increase/(Decrease)
Cash and cash equivalents	**$ 1.5**	**$ 3.5**	**133**
Assets not yet liquidated	**13.9**	**2.3**	**(83)**
Total Assets	**$ 15.4**	**$ 5.8**	**(62)**
Total Liabilities	**$ 11.2**	**$ 0.1**	**(99)**

shown in table 1, since 1996 FRF has had a significant decline in total assets and liabilities and, in particular, in the assets not yet liquidated. FDIC expects continued rapid decline in FRF assets. Through December 31, 2000, FRF has returned $4.6 billion to the U.S. Treasury and has made $1.4 billion of payments to the Resolution Funding Corporation (REFCORP).[5]

As described in notes 3 and 4 of FRF's financial statements, two major components of the assets not yet liquidated are receivables from thrift resolutions (about $0.5 billion) and investments in securitization related assets (about $1.8 billion). Most of the receivables from thrift resolutions represent amounts advanced and/or obligations incurred for resolving troubled and failed insured thrifts. FDIC manages and disposes the assets from failed thrifts through receiverships.[6] Most of the remaining assets in these receiverships are cash. FDIC is pursuing the complete liquidation of these receiverships during the year 2001 except for those receiverships involved in goodwill litigation.[7] The securitization related assets had a weighted-average remaining life of less than 1 year on December 31, 2000.

The operations of FRF will eventually meet a point where maintaining a separate liquidation entity may not be cost-effective. At that time, there may be some assets that are not fully liquidated; pending legal liabilities that may take years to settle; and certain assets the disposal of which may not be in the best interest of the United States government. FDIC has a research and evaluation effort underway to identify the remaining issues that need to be resolved, along with possible disposition strategies, in order to dissolve FRF as contemplated by the Federal Deposit Insurance Act. Also, due to the unique nature of several of these assets and liabilities, FDIC anticipates that its effort will include the development of new disposal plans for its remaining assets and liabilities.

5 The RTC Completion Act required FDIC to return to the U.S. Treasury any funds that were transferred to RTC pursuant to the RTC Completion Act but not needed by RTC. The RTC Completion Act made available $18.3 billion of additional funding. Prior to RTC's termination on December 31, 1995, RTC drew down $4.6 billion of the $18.3 billion made available by the RTC Completion Act. The full amount of the appropriation transferred to RTC has been fully repaid. After providing for all outstanding RTC liabilities, FDIC must also transfer the net proceeds from the sale of RTC-related assets to the REFCORP. Any funds transferred to REFCORP are used to pay the interest on REFCORP bonds issued to provide funding for the early RTC resolutions.

6 The assets held by receiverships, and the claims against them, are accounted for separately from FRF's assets and liabilities to ensure that liquidation proceeds are distributed in accordance with applicable laws and regulations.

7 See note 8 of FRF's financial statements for a description of goodwill litigation and its impact.

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Following are some of the issues and items remaining in FRF:

- **Over 900 criminal restitution orders are outstanding, in the amount of approximately $600 million, which will remain open for nearly 20 years. The actual amount that will ultimately be collected is unknown.[8] During 2000, FDIC collected $3.2 million from these outstanding restitution orders.**
- **Over 90 outstanding items, which include litigation claims and judgments, were obtained against officers and directors and other professionals responsible for causing thrift losses with an estimated recoverable value of approximately $80 million. These judgments are renewable based on individual state law. Generally, the renewals vary from 5 to 10 years and are renewable more than once.[9] FDIC recovered $31.9 million in claims during 2000.**
- **Numerous assistance agreements entered into by the former FSLIC will remain open for many years as those assisted institutions share with FRF their tax savings that result from the tax free nature of FSLIC assistance.[10] In 2000, FRF collected over $80 million as its share of these tax savings.**
- **Various litigation cases are outstanding. FRF is involved in approximately 700 cases.[11] The most numerous, and substantial in terms of liability involve goodwill litigation.[12] To date, approximately 120 lawsuits have been filed against the United States government. Because of appeals and differences in awarding damages in the cases thus far, the final outcome in the cases and the amount of any possible damages remain uncertain. There are also litigation cases in which FRF is the plaintiff for itself, or is acting in a fiduciary manner on behalf of the receiverships resulting from failed financial institutions. These pending cases may take years to settle, and many of the goodwill cases are still pending from the early 1990s.**
- **Potential liabilities may exist due to representations and warranties made to support the sale of loans and servicing rights.[13] These liabilities could be incurred over the remaining life of the loans, which could be as long as 20 years.**

Only when the remaining asset and liability issues, some of which are highlighted above, are resolved can FRF be formally dissolved. FDIC is considering whether seeking enabling legislation or other measures may be needed to dissolve the remaining FRF assets and liabilities.

8 U.S. generally accepted accounting principles state that contingencies that result in gains are usually not reflected in the financial statements to avoid recognizing revenue prior to its realization.

9 See footnote 8 of this report.

10 See footnote 8 of this report.

11 Whereas FRF is involved in approximately 700 cases, FDIC records losses for only those cases where the contingent loss is considered probable and reasonably estimable. FDIC also discloses contingent losses that are reasonably possible. See note 8 of FRF's financial statements.

12 See footnote 7 of this report.

13 See note 3 of FRF's financial statements for a description of representations and warranties.

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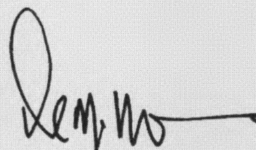
FDIC Comments and Our Evaluation

In commenting on a draft of this report, FDIC acknowledged the information system weakness, and stated a commitment to continue its efforts to strengthen its information security program and to incorporate GAO's recommendations into its security plans for 2001. We plan to evaluate the effectiveness on FDIC's corrective actions in information security as part of our 2001 audit of FDIC's financial statements and internal control.

FDIC also stated that it will continue to monitor the other matters discussed in our report, including goodwill litigation cases.



David M. Walker
Comptroller General
of the United States

April 6, 2001

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Number and Deposits of BIF-Insured Banks Closed[1] Because of Financial Difficulties, 1934 through 2000

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	**2,097**	**19**	**2,078**	**$214,645,908**	**$4,298,814**	**$210,347,094**	**$632,470,043**
2000	6	...	6	311,950	...	311,950	378,088,472
1999	7	...	7	1,268,151	...	1,268,151	1,423,819
1998	3	...	3	335,076	...	335,076	370,400
1997	1	...	1	26,800	...	26,800	25,921
1996	5	...	5	168,228	...	168,228	182,502
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 that received FDIC assistance and were not closed. Also 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.

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Recoveries and Losses by the Bank Insurance Fund on Disbursements for the Protection of Depositors, 1934 through 2000

Dollars in Thousands

	All Cases[1]					Deposit Payoff Cases[2]				
Year	Number of banks	Disburse-ments	Recoveries	Estimated Additional Recoveries	Estimated Losses	Number of banks	Disburse-ments	Recoveries	Estimated Additional Recoveries	Estimated Losses
Total	**2,208**	**$ 108,282,625**	**$ 69,908,685**	**$ 360,291**	**$ 38,013,649**	**603**	**$ 14,469,299**	**$ 9,918,765**	**$ 1,467**	**$ 4,549,067**
2000	6	300,316	82,445	179,191	38,680	0	0	0	0	0
1999	7	1,244,283	281,890	121,221	841,172	0	0	0	0	0
1998	3	286,707	52,658	0	234,049	0	0	0	0	0
1997	1	25,546	20,520	0	5,026	0	0	0	0	0
1996	5	169,386	130,966	0	38,420	0	0	0	0	0
1995	6	609,045	523,695	293	85,057	0	0	0	0	0
1994	13	1,224,797	1,045,721	135	178,941	0	0	0	0	0
1993	41	1,797,297	1,146,878	3,953	646,466	5	261,203	159,268	0	101,935
1992	122	14,084,663	10,390,760	18,042	3,675,861	25	1,802,655	1,309,252	631	492,772
1991	127	21,412,647	15,231,388	32,487	6,148,772	21	1,468,407	1,000,732	0	467,675
1990	169	10,816,602	8,030,281	1,258	2,785,063	20	2,182,583	1,427,687	836	754,060
1989	207	11,445,829	5,242,838	3,692	6,199,299	32	2,116,556	1,262,145	0	854,411
1988	280	12,163,006	5,241,215	0	6,921,791	36	1,252,160	822,612	0	429,548
1987	203	5,037,871	3,014,851	0	2,023,020	51	2,103,792	1,401,588	0	702,204
1986	145	4,790,969	3,015,252	0	1,775,717	40	1,155,981	739,659	0	416,322
1985	120	2,920,687	1,913,452	0	1,007,235	29	523,789	411,175	0	112,614
1984	80	7,696,215	6,056,061	0	1,640,154	16	791,838	699,483	0	92,355
1983	48	3,807,082	2,400,044	19	1,407,019	9	148,423	122,484	0	25,939
1982	42	2,275,150	1,106,579	0	1,168,571	7	277,240	206,247	0	70,993
1981	10	888,999	107,221	0	781,778	2	35,736	34,598	0	1,138
1980	11	152,355	121,675	0	30,680	3	13,732	11,427	0	2,305
1979	10	90,489	74,372	0	16,117	3	9,936	9,003	0	933
1978	7	548,568	512,927	0	35,641	1	817	613	0	204
1977	6	26,650	20,654	0	5,996	0	0	0	0	0
1976	17	599,397	561,532	0	37,865	3	11,416	9,660	0	1,756
1975	13	332,046	292,431	0	39,615	3	25,918	25,849	0	69
1974	5	2,403,277	2,259,633	0	143,644	0	0	0	0	0
1973	6	435,238	368,852	0	66,386	3	16,771	16,771	0	0
1972	2	16,189	14,501	0	1,688	1	16,189	14,501	0	1,688
1971	7	171,646	171,430	0	216	5	53,767	53,574	0	193
1970	7	51,566	51,294	0	272	4	29,265	28,993	0	272
1969	9	42,072	41,910	0	162	4	7,596	7,513	0	83
1968	3	6,476	6,464	0	12	0	0	0	0	0
1967	4	8,097	7,087	0	1,010	4	8,097	7,087	0	1,010
1966	7	10,020	9,541	0	479	1	735	735	0	0
1965	5	11,479	10,816	0	663	3	10,908	10,391	0	517
1964	7	13,712	12,171	0	1,541	7	13,712	12,171	0	1,541
1963	2	19,172	18,886	0	286	2	19,172	18,886	0	286
1962	0	0	0	0	0	0	0	0	0	0
1961	5	6,201	4,700	0	1,501	5	6,201	4,700	0	1,501
1960	1	4,765	4,765	0	0	1	4,765	4,765	0	0
1959	3	1,835	1,738	0	97	3	1,835	1,738	0	97
1958	4	3,051	3,023	0	28	3	2,796	2,768	0	28
1957	1	1,031	1,031	0	0	1	1,031	1,031	0	0
1956	2	3,499	3,286	0	213	1	2,795	2,582	0	213
1955	5	7,315	7,085	0	230	4	4,438	4,208	0	230
1954	2	1,029	771	0	258	0	0	0	0	0
1953	2	5,359	5,359	0	0	0	0	0	0	0
1952	3	1,525	733	0	792	0	0	0	0	0
1951	2	1,986	1,986	0	0	0	0	0	0	0
1950	4	4,404	3,019	0	1,385	0	0	0	0	0
1949	4	2,685	2,316	0	369	0	0	0	0	0
1948	3	3,150	2,509	0	641	0	0	0	0	0
1947	5	2,038	1,979	0	59	0	0	0	0	0
1946	1	274	274	0	0	0	0	0	0	0
1945	1	1,845	1,845	0	0	0	0	0	0	0
1944	2	1,532	1,492	0	40	1	404	364	0	40
1943	5	7,230	7,107	0	123	4	5,500	5,377	0	123
1942	20	11,684	10,996	0	688	6	1,612	1,320	0	292
1941	15	25,061	24,470	0	591	8	12,278	12,065	0	213
1940	43	87,899	84,103	0	3,796	19	4,895	4,313	0	582
1939	60	81,828	74,676	0	7,152	32	26,196	20,399	0	5,797
1938	74	34,394	31,969	0	2,425	50	9,092	7,908	0	1,184
1937	75	20,204	16,532	0	3,672	50	12,365	9,718	0	2,647
1936	69	15,206	12,873	0	2,333	42	7,735	6,397	0	1,338
1935	25	9,108	6,423	0	2,685	24	6,026	4,274	0	1,752
1934	9	941	734	0	207	9	941	734	0	207

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Recoveries and Losses by the Bank Insurance Fund on Disbursements for the Protection of Depositors, 1934 through 2000 (continued)

Dollars in Thousands

	Deposit Assumption Cases					Assistance Transactions[1]				
Year	Number of banks	Disburse-ments	Recoveries	Estimated Additional Recoveries	Estimated Losses	Number of banks	Disburse-ments	Recoveries	Estimated Additional Recoveries	Estimated Losses
Total	**1,464**	**$ 82,182,970**	**$ 53,790,044**	**$ 358,805**	**$ 28,034,121**	**141**	**$ 11,630,356**	**$ 6,199,876**	**$ 19**	**$ 5,430,461**
2000	6	300,316	82,445	179,191	38,680	0	0	0	0	0
1999	7	1,244,283	281,890	121,221	841,172	0	0	0	0	0
1998	3	286,707	52,658	0	234,049	0	0	0	0	0
1997	1	25,546	20,520	0	5,026	0	0	0	0	0
1996	5	169,386	130,966	0	38,420	0	0	0	0	0
1995	6	609,045	523,695	293	85,057	0	0	0	0	0
1994	13	1,224,797	1,045,721	135	178,941	0	0	0	0	0
1993	36	1,536,094	987,610	3,953	544,531	0	0	0	0	0
1992	95	12,280,522	9,080,272	17,411	3,182,839	2	1,486	1,236	0	250
1991	103	19,938,123	14,227,563	32,487	5,678,073	3	6,117	3,093	0	3,024
1990	148	8,629,084	6,599,997	422	2,028,665	1	4,935	2,597	0	2,338
1989	174	9,326,725	3,980,441	3,692	5,342,592	1	2,548	252	0	2,296
1988	164	9,180,495	4,228,894	0	4,951,601	80	1,730,351	189,709	0	1,540,642
1987	133	2,773,202	1,612,549	0	1,160,653	19	160,877	714	0	160,163
1986	98	3,476,140	2,209,924	0	1,266,216	7	158,848	65,669	0	93,179
1985	87	1,631,166	1,095,601	0	535,565	4	765,732	406,676	0	359,056
1984	62	1,373,198	941,674	0	431,524	2	5,531,179	4,414,904	0	1,116,275
1983	35	2,893,969	1,850,553	0	1,043,416	4	764,690	427,007	19	337,664
1982	25	268,372	213,578	0	54,794	10	1,729,538	686,754	0	1,042,784
1981	5	79,208	71,358	0	7,850	3	774,055	1,265	0	772,790
1980	7	138,623	110,248	0	28,375	1	0	0	0	0
1979	7	80,553	65,369	0	15,184	0	0	0	0	0
1978	6	547,751	512,314	0	35,437	0	0	0	0	0
1977	6	26,650	20,654	0	5,996	0	0	0	0	0
1976	13	587,981	551,872	0	36,109	1	0	0	0	0
1975	10	306,128	266,582	0	39,546	0	0	0	0	0
1974	4	2,403,277	2,259,633	0	143,644	1	0	0	0	0
1973	3	418,467	352,081	0	66,386	0	0	0	0	0
1972	0	0	0	0	0	1	0	0	0	0
1971	1	117,879	117,856	0	23	1	0	0	0	0
1970	3	22,301	22,301	0	0	0	0	0	0	0
1969	5	34,476	34,397	0	79	0	0	0	0	0
1968	3	6,476	6,464	0	12	0	0	0	0	0
1967	0	0	0	0	0	0	0	0	0	0
1966	6	9,285	8,806	0	479	0	0	0	0	0
1965	2	571	425	0	146	0	0	0	0	0
1964	0	0	0	0	0	0	0	0	0	0
1963	0	0	0	0	0	0	0	0	0	0
1962	0	0	0	0	0	0	0	0	0	0
1961	0	0	0	0	0	0	0	0	0	0
1960	0	0	0	0	0	0	0	0	0	0
1959	0	0	0	0	0	0	0	0	0	0
1958	1	255	255	0	0	0	0	0	0	0
1957	0	0	0	0	0	0	0	0	0	0
1956	1	704	704	0	0	0	0	0	0	0
1955	1	2,877	2,877	0	0	0	0	0	0	0
1954	2	1,029	771	0	258	0	0	0	0	0
1953	2	5,359	5,359	0	0	0	0	0	0	0
1952	3	1,525	733	0	792	0	0	0	0	0
1951	2	1,986	1,986	0	0	0	0	0	0	0
1950	4	4,404	3,019	0	1,385	0	0	0	0	0
1949	4	2,685	2,316	0	369	0	0	0	0	0
1948	3	3,150	2,509	0	641	0	0	0	0	0
1947	5	2,038	1,979	0	59	0	0	0	0	0
1946	1	274	274	0	0	0	0	0	0	0
1945	1	1,845	1,845	0	0	0	0	0	0	0
1944	1	1,128	1,128	0	0	0	0	0	0	0
1943	1	1,730	1,730	0	0	0	0	0	0	0
1942	14	10,072	9,676	0	396	0	0	0	0	0
1941	7	12,783	12,405	0	378	0	0	0	0	0
1940	24	83,004	79,790	0	3,214	0	0	0	0	0
1939	28	55,632	54,277	0	1,355	0	0	0	0	0
1938	24	25,302	24,061	0	1,241	0	0	0	0	0
1937	25	7,839	6,814	0	1,025	0	0	0	0	0
1936	27	7,471	6,476	0	995	0	0	0	0	0
1935	1	3,082	2,149	0	933	0	0	0	0	0
1934	0	0	0	0	0	0	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. Also, disbursements, recoveries, and estimated additional recoveries do not include working capital advances to and repayments by receiverships.

2 Includes insured deposit transfer cases.

Note: Beginning with the 1997 Annual Report the number of banks in the Assistance Transactions column for 1988 was changed from 21 to 80 and the number of banks in the All Cases column was changed from 221 to 280 to reflect that one assistance transaction encompassed 60 institutions. Also, certain 1982, 1983, 1989 and 1992 resolutions previously reported in either the Deposit Payoff or Deposit Assumption categories were reclassified.

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Income and Expenses, Bank Insurance Fund, from Beginning of Operations, September 11, 1933, through December 31, 2000

Dollars in Millions

	Income					Expenses and Losses				
Year	Total	Assessment Income	Assessment Credits	Investment and Other Sources	Effective Assessment Rate[1]	Total	Provision for Losses	Administrative and Operating Expenses[2]	Interest & Other Insur. Expenses	Net Income/ (Loss)
Total	**$81,710.5**	**$53,212.8**	**$6,709.1**	**$35,206.8**		**$50,954.6**	**$35,451.7**	**$8,553.6**	**$6,955.3**	**$30,755.9**
2000	1,905.9	45.1	0.0	1,860.8	0.0014%	645.2	(153.0)	772.9	25.3	1,260.7
1999	1,815.6	33.3	0.0	1,782.3	0.0011%	1,922.0	1,168.7	730.4	22.9	(106.4)
1998	2,000.3	21.7	0.0	1,978.6	0.0008%	691.5	(37.7)	697.6	31.6	1,308.8
1997	1,615.6	24.7	0.0	1,590.9	0.0008%	177.3	(503.7)	605.2	75.8	1,438.3
1996	1,655.3	72.7	0.0	1,582.6	0.0024%	254.6	(325.2)	505.3	74.5	1,400.7
1995	4,089.1	2,906.9	0.0	1,182.2	0.1240%	483.2	(33.2)	470.6	45.8	3,605.9
1994	6,467.0	5,590.6	0.0	876.4	0.2360%	(2,259.1)	(2,873.4)	423.2	191.1	8,726.1
1993	6,430.8	5,784.3	0.0	646.5	0.2440%	(6,791.4)	(7,677.4)	388.5	497.5	13,222.2
1992	6,301.5	5,587.8	0.0	713.7	0.2300%	(625.8)	(2,259.7)	570.8[3]	1,063.1	6,927.3
1991	5,790.0	5,160.5	0.0	629.5	0.2125%	16,862.3	15,476.2	284.1	1,102.0	(11,072.3)
1990	3,838.3	2,855.3	0.0	983.0	0.1200%	13,003.3	12,133.1	219.6	650.6	(9,165.0)
1989	3,494.6	1,885.0	0.0	1,609.6	0.0833%	4,346.2	3,811.3	213.9	321.0	(851.6)
1988	3,347.7	1,773.0	0.0	1,574.7	0.0833%	7,588.4	6,298.3	223.9	1,066.2	(4,240.7)
1987	3,319.4	1,696.0	0.0	1,623.4	0.0833%	3,270.9	2,996.9	204.9	69.1	48.5
1986	3,260.1	1,516.9	0.0	1,743.2	0.0833%	2,963.7	2,827.7	180.3	(44.3)	296.4
1985	3,385.4	1,433.4	0.0	1,952.0	0.0833%	1,957.9	1,569.0	179.2	209.7	1,427.5
1984	3,099.5	1,321.5	0.0	1,778.0	0.0800%	1,999.2	1,633.4	151.2	214.6	1,100.3
1983	2,628.1	1,214.9	164.0	1,577.2	0.0714%	969.9	675.1	135.7	159.1	1,658.2
1982	2,524.6	1,108.9	96.2	1,511.9	0.0769%	999.8	126.4	129.9	743.5	1,524.8
1981	2,074.7	1,039.0	117.1	1,152.8	0.0714%	848.1	320.4	127.2	400.5	1,226.6
1980	1,310.4	951.9	521.1	879.6	0.0370%	83.6	(38.1)	118.2	3.5	1,226.8
1979	1,090.4	881.0	524.6	734.0	0.0333%	93.7	(17.2)	106.8	4.1	996.7
1978	952.1	810.1	443.1	585.1	0.0385%	148.9	36.5	103.3	9.1	803.2
1977	837.8	731.3	411.9	518.4	0.0370%	113.6	20.8	89.3	3.5	724.2
1976	764.9	676.1	379.6	468.4	0.0370%	212.3	28.0	180.4[4]	3.9	552.6
1975	689.3	641.3	362.4	410.4	0.0357%	97.5	27.6	67.7	2.2	591.8
1974	668.1	587.4	285.4	366.1	0.0435%	159.2	97.9	59.2	2.1	508.9
1973	561.0	529.4	283.4	315.0	0.0385%	108.2	52.5	54.4	1.3	452.8
1972	467.0	468.8	280.3	278.5	0.0333%	59.7	10.1	49.6	6.0[5]	407.3
1971	415.3	417.2	241.4	239.5	0.0345%	60.3	13.4	46.9	0.0	355.0
1970	382.7	369.3	210.0	223.4	0.0357%	46.0	3.8	42.2	0.0	336.7
1969	335.8	364.2	220.2	191.8	0.0333%	34.5	1.0	33.5	0.0	301.3
1968	295.0	334.5	202.1	162.6	0.0333%	29.1	0.1	29.0	0.0	265.9
1967	263.0	303.1	182.4	142.3	0.0333%	27.3	2.9	24.4	0.0	235.7
1966	241.0	284.3	172.6	129.3	0.0323%	19.9	0.1	19.8	0.0	221.1
1965	214.6	260.5	158.3	112.4	0.0323%	22.9	5.2	17.7	0.0	191.7
1964	197.1	238.2	145.2	104.1	0.0323%	18.4	2.9	15.5	0.0	178.7
1963	181.9	220.6	136.4	97.7	0.0313%	15.1	0.7	14.4	0.0	166.8
1962	161.1	203.4	126.9	84.6	0.0313%	13.8	0.1	13.7	0.0	147.3
1961	147.3	188.9	115.5	73.9	0.0323%	14.8	1.6	13.2	0.0	132.5
1960	144.6	180.4	100.8	65.0	0.0370%	12.5	0.1	12.4	0.0	132.1

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Income and Expenses, Bank Insurance Fund, from Beginning of Operations, September 11, 1933, through December 31, 2000 (continued)

Dollars in Millions

	Income					Expenses and Losses				
Year	Total	Assessment Income	Assessment Credits	Investment and Other Sources	Effective Assessment Rate [1]	Total	Provision for Losses	Administrative and Operating Expenses [2]	Interest & Other Insur. Expenses	Net Income/ (Loss)
Total	**$81,710.5**	**$53,212.8**	**$6,709.1**	**$35,206.8**		**$50,954.6**	**$35,451.7**	**$8,553.6**	**$6,955.3**	**$30,755.9**
1959	136.5	178.2	99.6	57.9	0.0370%	12.1	0.2	11.9	0.0	124.4
1958	126.8	166.8	93.0	53.0	0.0370%	11.6	0.0	11.6	0.0	115.2
1957	117.3	159.3	90.2	48.2	0.0357%	9.7	0.1	9.6	0.0	107.6
1956	111.9	155.5	87.3	43.7	0.0370%	9.4	0.3	9.1	0.0	102.5
1955	105.8	151.5	85.4	39.7	0.0370%	9.0	0.3	8.7	0.0	96.8
1954	99.7	144.2	81.8	37.3	0.0357%	7.8	0.1	7.7	0.0	91.9
1953	94.2	138.7	78.5	34.0	0.0357%	7.3	0.1	7.2	0.0	86.9
1952	88.6	131.0	73.7	31.3	0.0370%	7.8	0.8	7.0	0.0	80.8
1951	83.5	124.3	70.0	29.2	0.0370%	6.6	0.0	6.6	0.0	76.9
1950	84.8	122.9	68.7	30.6	0.0370%	7.8	1.4	6.4	0.0	77.0
1949	151.1	122.7	0.0	28.4	0.0833%	6.4	0.3	6.1	0.0	144.7
1948	145.6	119.3	0.0	26.3	0.0833%	7.0	0.7	6.3[6]	0.0	138.6
1947	157.5	114.4	0.0	43.1	0.0833%	9.9	0.1	9.8	0.0	147.6
1946	130.7	107.0	0.0	23.7	0.0833%	10.0	0.1	9.9	0.0	120.7
1945	121.0	93.7	0.0	27.3	0.0833%	9.4	0.1	9.3	0.0	111.6
1944	99.3	80.9	0.0	18.4	0.0833%	9.3	0.1	9.2	0.0	90.0
1943	86.6	70.0	0.0	16.6	0.0833%	9.8	0.2	9.6	0.0	76.8
1942	69.1	56.5	0.0	12.6	0.0833%	10.1	0.5	9.6	0.0	59.0
1941	62.0	51.4	0.0	10.6	0.0833%	10.1	0.6	9.5	0.0	51.9
1940	55.9	46.2	0.0	9.7	0.0833%	12.9	3.5	9.4	0.0	43.0
1939	51.2	40.7	0.0	10.5	0.0833%	16.4	7.2	9.2	0.0	34.8
1938	47.7	38.3	0.0	9.4	0.0833%	11.3	2.5	8.8	0.0	36.4
1937	48.2	38.8	0.0	9.4	0.0833%	12.2	3.7	8.5	0.0	36.0
1936	43.8	35.6	0.0	8.2	0.0833%	10.9	2.6	8.3	0.0	32.9
1935	20.8	11.5	0.0	9.3	0.0833%	11.3	2.8	8.5	0.0	9.5
1933-34	7.0	0.0	0.0	7.0	N/A	10.0	0.2	9.8	0.0	(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 mininum 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 1995.

2 These expenses, which are presented as operating expenses in the Statements of Income and Fund Balance, pertain to the FDIC in its corporate capacity only and do not include costs that are charged to the failed bank receiverships that are managed by the FDIC. The receivership expenses are presented as part of the "Receivables from Bank Resolutions, net" line on the Statements of Financial Position. The narrative and graph presented in the "Corporate Planning and Budget" section of this report (next page) show the aggregate (corporate and receivership) expenditures of the FDIC.

3 Includes $210 million for the cumulative effect of an accounting change for certain postretirement benefits.

4 Includes $105.6 million net loss on government securities.

5 This amount represents interest and other insurance expenses from 1933 to 1972.

6 Includes $80.6 million of interest paid on capital stock between 1933 and 1948.

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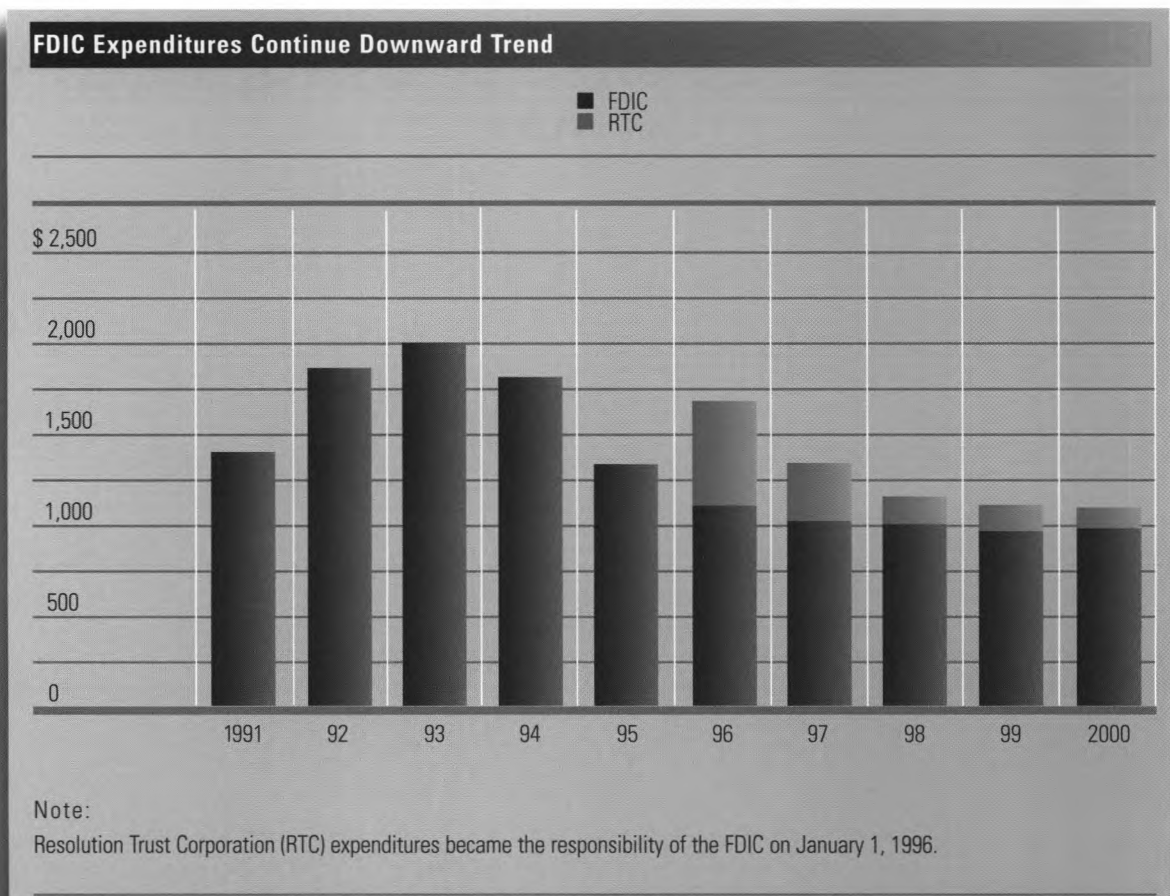
Corporate Planning and Budget, FDIC Expenditures, 1991–2000

Dollars in Millions



The FDIC's Strategic Plan and Annual Performance Plan provide the basis for annual planning and budgeting for needed resources. The 2000 aggregate budget (for corporate and receivership expenses) was $1.19 billion, while actual expenditures for the year were $1.12 billion, about $35 million less than 1999 expenditures.

Over the past 10 years, the FDIC's expenditures have risen and declined in response to its workload. During the first half of the decade, costs increased as the FDIC became heavily involved with resolving the banking crisis of the late 1980s and early 1990s. In 1994 and 1995, expenditures declined due to decreasing resolution and receivership activity, but temporarily increased in 1996 in conjunction with the absorption of the Resolution Trust Corporation (RTC). Total expenditures have decreased each year since 1996.

The largest component of FDIC spending is for the costs associated with staffing. The FDIC's staff has declined each year during the past five years. Staffing decreased by about 11 percent in 2000, from 7,266 employees at the beginning of the year to 6,452 at the end of the year.

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Estimated Insured Deposits and the Bank Insurance Fund, December 31, 1934, through December 31, 2000

		Deposits in Insured Banks (Dollars in Millions)				Insurance Fund as a Percentage of	
Year[1]	Insurance Coverage	Total Domestic Deposits	Est. Insured[2] Deposits	Percentage of Insured Deposits	Deposit Insurance Fund	Total Domestic Deposits	Est. Insured Deposits
2000	$100,000	$3,326,745	$2,301,604	69.2	$30,975.2	0.93	1.35
1999	100,000	3,038,385	2,157,536	71.0	29,414.2	0.97	1.36
1998	100,000	2,996,396	2,141,268	71.5	29,612.3	0.99	1.38
1997	100,000	2,785,990	2,055,874	73.8	28,292.5	1.02	1.38
1996	100,000	2,642,107	2,007,447	76.0	26,854.4	1.02	1.34
1995	100,000	2,575,966	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 insured by the Savings Association Insurance Fund and include those deposits held by Savings Association Insurance Fund members that are insured by the Bank Insurance Fund.

2 Estimated insured deposits reflect deposit information as reported in the fourth quarter FDIC Quarterly Banking Profile. 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.

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Income and Expenses, Savings Association Insurance Fund, by Year, from Beginning of Operations, August 9, 1989, through December 31, 2000

Dollars in Thousands

	Income				Expenses and Losses					
Year	Total	Assessment Income	Investment and Other Sources	Effective Assessment Rate	Total	Provision for Losses	Interest & Other Insur. Expenses	Administrative and Operating Expenses	Funding Transfer from the FSLIC Resolution Fund	Net Income
Total	**$11,472,537**	**$8,568,804**	**$2,903,733**		**$935,557**	**$264,630**	**$9,660**	**$661,267**	**$139,498**	**$10,676,478**
2000	664,080	19,237	644,843	0.002%	300,018	180,805	8,293	110,920	0	364,062
1999	600,995	15,116	585,879	0.002%	124,156	30,648	626	92,882	0	476,839
1998	583,859	15,352	568,507	0.002%	116,629	31,992	9	84,628	0	467,230
1997	549,912	13,914	535,998	0.004%	69,986	(1,879)	0	71,865	0	479,926
1996	5,501,684	5,221,560	280,124	0.204%	(28,890)	(91,636)	128	62,618	0	5,530,574
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

FDIC-Insured Institutions Closed During 2000

Dollars in Thousands

Name and Location	Bank Class	Number of Deposit Accounts	Total Assets	Total Deposits	FDIC Disbursements	Estimated Loss[1]	Date of Closing or Acquisition	Assuming Bank and Location
Bank Insurance Fund								
Purchase and Assumption – All Deposits								
Monument National Bank Ridgecrest, CA	N	743	$10,333	$10,116	$10,117	$748	06/02/00	Israel Discount Bank New York, NY
Purchase and Assumption – Insured Deposits								
Hartford-Carlisle Savings Bank Carlisle, IA	NM	7,700	$113,313	$71,337	$70,488	$11,127	01/14/00	Citizens Bank Carlisle, IA
Town and Country Bank of Almelund Almelund, MN	NM	4,900	$24,503	$25,657	$25,658	$3,605	07/14/00	S&C Bank of Minnesota Almelund, MN
Bank of Honolulu Honolulu, HI	NM	5,900	$61,247	$58,202	$56,727	$2,500	10/13/00	Bank of the Orient San Francisco, CA
Insured Deposit Transfer – Asset Purchase								
The Bank of Falkner Falkner, MS	NM	5,827	$75,681	$72,534	$67,055	$12,700	09/29/00	Citizens Bank & Savings Company Russellville, AL
National State Bank of Metropolis Metropolis, IL	N	8,157	$93,011	$74,104	$71,645	$8,000	12/14/00	Banterra Bank Marion, IL
Savings Association Insurance Fund								
Purchase and Assumption – All Deposits								
Mutual Federal Savings Bank of Atlanta Atlanta, GA	SB	6,023	$29,530	$28,583	$28,583	$1,402	03/10/00	Citizens Trust Bank Atlanta, GA

Codes for Bank Class:

NM State-chartered bank that is not a member of the Federal Reserve System

N National bank

SB Savings bank

1 Estimated losses are as of 12/31/00. Estimated losses are routinely adjusted with updated information from new appraisals and asset sales, which ultimately affect the asset values and projected recoveries.

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Estimated Insured Deposits and the Savings Association Insurance Fund, December 31, 1989, through December 31, 2000

		Deposits in Insured Institutions (Dollars in Millions)				Insurance Fund as a Percentage of	
Year[1]	Insurance Coverage	Total Domestic Deposits	Est. Insured[2] Deposits	Percentage of Insured Deposits	Deposit Insurance Fund	Total Domestic Deposits	Est. Insured Deposits
2000	$100,000	$822,610	$752,756	91.5	$10,758.6	1.31	1.43
1999	100,000	764,359	711,345	93.1	10,280.7	1.35	1.45
1998	100,000	751,413	708,959	94.4	9,839.8	1.31	1.39
1997	100,000	721,503	690,132	95.7	9,368.3	1.30	1.36
1996	100,000	708,749	683,090	96.4	8,888.4	1.25	1.30
1995	100,000	742,547	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 insured by the Bank Insurance Fund and include those deposits held by Bank Insurance Fund members that are insured by the Savings Association Insurance Fund.

2 Estimated insured deposits reflect deposit information as reported in the fourth quarter FDIC Quarterly Banking Profile. Before 1991, insured deposits were estimated using percentages determined from the June 30 Call Reports.

Number, Assets, Deposits, Losses, and Loss to Funds of Insured Thrifts Taken Over or Closed Because of Financial Difficulties, 1989 through 2000[1]

Dollars in Thousands

Year[2]	Total	Assets	Deposits	Estimated Receivership Loss[3]	Loss to Funds[4]
Total	**751**	**$ 394,111,336**	**$ 317,624,631**	**$ 74,536,757**	**$ 82,047,953**
2000	1	29,530	28,583	1,402	1,402
1999	1	62,956	63,427	1,343	1,343
1998	0	0	0	0	0
1997	0	0	0	0	0
1996	1	32,576	32,745	21,222	21,222
1995	2	423,819	414,692	28,931	28,489
1994	2	136,815	127,508	11,472	14,599
1993	10	6,147,962	4,881,461	252,836	203,779
1992	59	44,196,946	34,773,224	3,082,299	3,688,250
1991	144	78,898,704	65,173,122	8,434,288	9,226,608
1990	213	129,662,398	98,963,960	16,071,715	19,297,712
1989[5]	318	134,519,630	113,165,909	46,631,249	49,564,549

1 Prior to July 1, 1995, all thrift closings were the responsibility of the Resolution Trust Corporation (RTC). Since the RTC was terminated on December 31, 1995, and all assets and liabilities transferred to the FSLIC Resolution Fund (FRF), all the results of the thrift closing activity from 1989 through 1995 are now reflected on FRF's books. The Savings Association Insurance Fund (SAIF) became responsible for all thrifts closed after June 30, 1995; there have been only three such failures. Additionally, SAIF was appointed receiver of one thrift (Heartland FSLA) on October 8, 1993, because, at that time, RTC's authority to resolve FSLIC-insured thrifts had not yet been extended by the RTC Completion Act.

2 Year is the year of failure, not the year of resolution.

3 The estimated losses represent the projected loss at the fund level from receiverships for unreimbursed subrogated claims of the FRF/SAIF and unpaid advances to receiverships from the FRF.

4 The Loss to Funds represents the total resolution cost of the failed thrifts in the SAIF and FRF-RTC funds, which includes corporate revenue and expense items such as interest expense on Federal Financing Bank debt, interest expense on escrowed funds, and interest revenue on advances to receiverships, in addition to the estimated losses for receiverships.

5 Total for 1989 excludes nine failures of the former FSLIC.

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Resources

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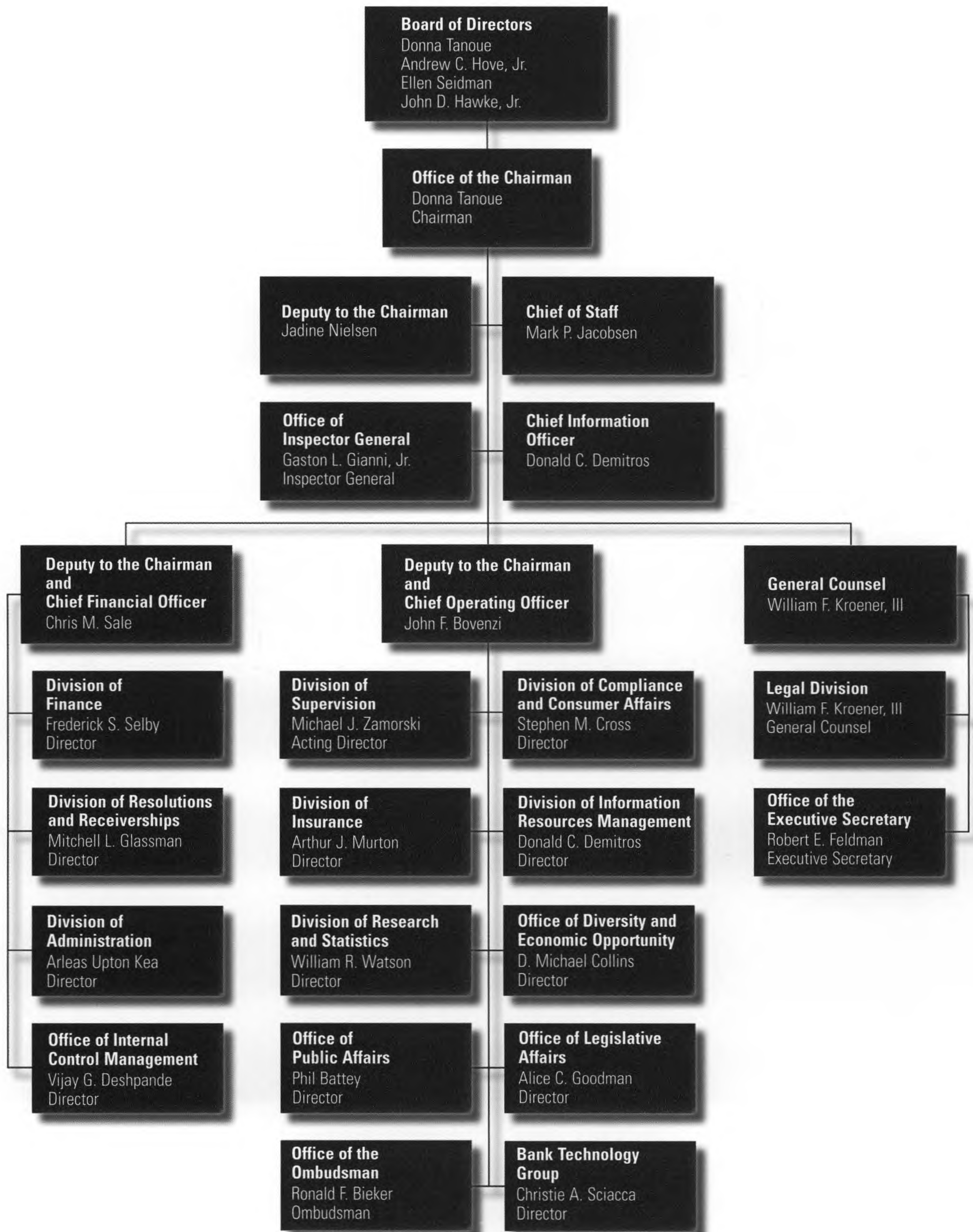
Organization Chart as of December 31, 2000



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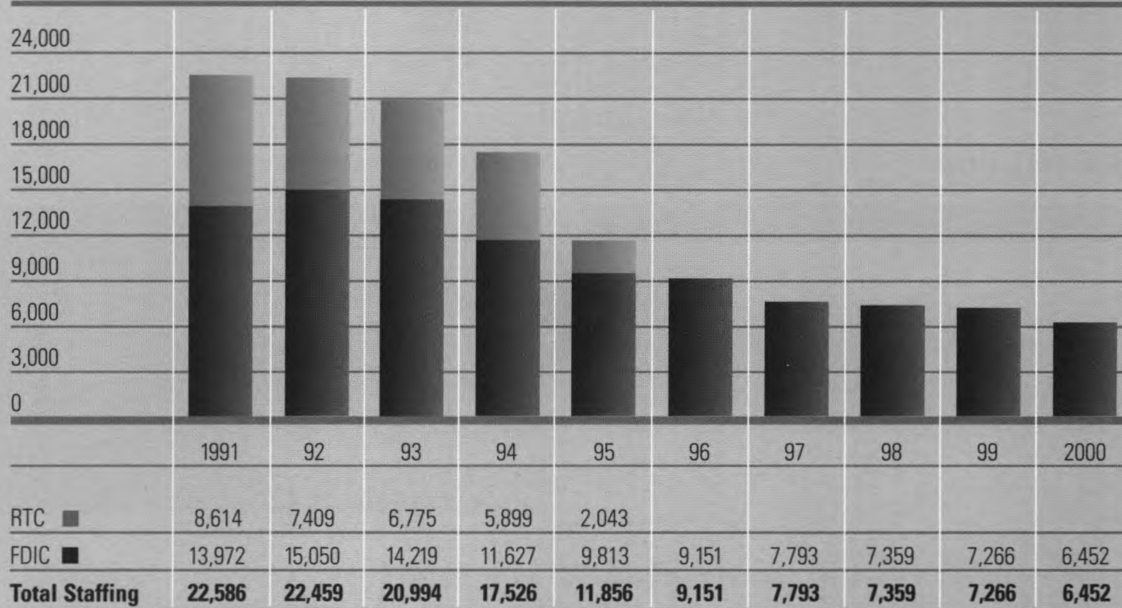
Staffing Trends 1991 - 2000



	1991	92	93	94	95	96	97	98	99	2000
RTC ■	8,614	7,409	6,775	5,899	2,043					
FDIC ■	13,972	15,050	14,219	11,627	9,813	9,151	7,793	7,359	7,266	6,452
Total Staffing	**22,586**	**22,459**	**20,994**	**17,526**	**11,856**	**9,151**	**7,793**	**7,359**	**7,266**	**6,452**

Note:

All staffing totals reflect year-end balances.

The Resolution Trust Corporation (RTC) was fully staffed with FDIC employees and, until February 1992, the RTC was managed by the FDIC Board of Directors. Upon the RTC sunset at year-end 1995, all of its remaining workload and employees were transferred to the FDIC.

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Sources of Information

Home Page on the Internet

www.fdic.gov

A wide range of banking, consumer and financial information is available on the FDIC's Internet home page. This includes the FDIC's Electronic Deposit Insurance Estimator, "EDIE," which estimates an individual's deposit insurance coverage; the Institution Directory, financial profiles of FDIC-supervised institutions; Community Reinvestment Act evaluations and ratings for banks and thrifts supervised by the FDIC; and Call Reports, banks' reports of condition and income. Readers also can access a variety of consumer pamphlets, FDIC press releases, speeches and other updates on the agency's activities, as well as corporate databases and customized reports of FDIC and banking industry information. Newly available in 2000 is a page allowing interested parties to submit comments via the Internet on proposed regulations. The "Ask FDIC" feature has been upgraded, enabling the public to more easily identify and contact the appropriate source of information at the FDIC.

FDIC Call Center

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The FDIC Call Center in Washington, DC, is the primary telephone point of contact for general questions from the banking community, the public and FDIC employees. The Call Center directly, or in concert with other FDIC subject matter experts, responds to questions about deposit insurance and other consumer issues and concerns, as well as questions about FDIC programs and activities. The Call Center also makes referrals to other federal and state agencies as needed. Hours of operation are 8:00 a.m. to 8:00 p.m. eastern standard time. Information also is available in Spanish.

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FDIC publications, press releases, speeches and Congressional testimony, directives to financial institutions, policy manuals and other documents are available on request or by subscription through the Public Information Center. These documents include the *Quarterly Banking Profile, Statistics on Banking, Summary of Deposits* and a variety of consumer pamphlets.

Office of the Ombudsman

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The Office of the Ombudsman responds to inquiries about the FDIC in a fair, impartial and timely manner. It researches questions and complaints from bankers, the public and FDIC employees on a confidential basis. The office also recommends ways to improve FDIC operations, regulations and customer service.

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Index

A

Applications, 1998-2000 22
Assessments (see Deposit Insurance Premiums)
Asset Liquidation 18

B

Bank Insurance Fund (BIF):
- Highlights 15-16
- Financial Statements 25-44
- Risk-Related Premiums 9

C

Commercial Banks (Financial Performance):
- Return on Assets 14

Consumer Complaints and Inquiries 22

D

Deposit Insurance Funds (see BIF and SAIF)
Deposit Insurance Premiums:
- Risk-Related Premiums 9,16-17

Deposit Insurance Reform 2-3,8-12
Diversity 20-21

E

Electronic Banking (see Technology)
Emerging Risks 16-18
Enforcement Actions 21
Examinations, 1998-2000 19

F

Failed Institutions:
- FDIC-Insured Institutions Closed During 2000 98
- Liquidation Highlights 18

Federal Deposit Insurance Corporation (FDIC):
- Board of Directors 4-5
- Corporate Planning and Budget 96
- Organization Chart/Officials 102
- Regional Offices 105
- Sources of Information 104
- Staffing Trends 1991-2000 103

Federal Savings and Loan Insurance Corporation Resolution Fund (FRF):
- Financial Statements 63-80

G

General Accounting Office (GAO) 81-87
Gramm-Leach-Bliley Act 19-20

H

Hawke, John D., Jr. 5
Hove, Andrew (Skip) C., Jr. 3, 4, 5, 10

L

Legislation Enacted (see Gramm-Leach-Bliley Act) 19

R

Reich, John 3, 5

S

Savings Association Insurance Fund (SAIF):
- Highlights 15-16
- Financial Statements 45-61
- Risk-Related Premiums 9

Savings Associations (Performance):
- Return on Assets 15

Seidman, Ellen 4, 5
Staffing:
- Staffing Trends 1991-2000 103

Statistical Tables:
- Number and Deposits of BIF-Insured Banks Closed, 1934-2000 91
- Recoveries and Losses by the BIF on Disbursements for the Protection of Depositors, 1934-2000 92-93
- Income and Expenses, BIF, 1933-2000 94-95
- FDIC Expenditures, 1991-2000 96
- Estimated Insured Deposits and the BIF, 1934-2000 97
- Income and Expenses, SAIF, 1989-2000 98
- FDIC-Insured Institutions Closed During 2000 98
- Estimated Insured Deposits and the SAIF, 1989-2000 99
- Number, Assets, Deposits, and Losses of Insured Thrifts Taken Over or Closed, 1989-2000 99

T

Tanoue, Donna 2-3, 4, 8, 10, 11, 18, 19
Technology 18-19

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