United States General Accounting Office

GAO

Testimony

For Release on
Delivery
Expected at
9:00 a.m. PST
Friday
January 13, 1989

FAILED FINANCIAL INSTITUTIONS:

Reasons, Costs, Remedies and Unresolved Issues

Statement of
Frederick D. Wolf, Director
Accounting and Financial Management Division

Before the
Committee on Banking, Finance and Urban Affairs
House of Representatives

GAO/T-AFMD-89-1

GAO Form 160 (12/87)

Mr. Chairman and Members of the Committee:

We are pleased to appear today to discuss preliminary observations from ongoing work assessing characteristics and management practices of financial institutions which have failed in recent years. We will also discuss preliminary issues related to the Bank Board's recent resolution actions and will offer thoughts on (1) the kinds of actions the Congress should consider in its efforts to resolve the financial problems of the thrift industry and its insurer, the Federal Savings and Loan Insurance Corporation (FSLIC), and (2) actions needed to prevent this situation from recurring.

FINANCIAL INSTITUTIONS FAILING AT RECORD RATES

We are currently faced with a crisis of major proportions. Not since the early 1930s have financial institutions failed in such unprecedented numbers. In 1987, 203 commercial banks were closed or assisted at an estimated $3 billion net cost to the Federal Deposit Insurance Corporation (FDIC). In 1988, the number of banks closed or assisted rose to 221. As a result, FDIC expects to incur a loss of $3 billion to $4 billion to its deposit insurance fund. However, with this loss, the fund will have a balance of about $14 billion to $15 billion, and FDIC expects that balance to increase slightly or remain stable this year.

identified troubled institutions were acted upon today, cost estimates by GAO and others knowledgeable in the industry which range from $75 billion to $100 billion are reasonable.

During 1988, FSLIC acted on 222 problem institutions (FSLIC acted on 3 thrifts twice during the year) at a reported cost of over $37 billion on a net present value basis. However, at the end of 1988, about 350 insolvent S&Ls were still operating. We believe that it will cost FSLIC roughly $40 billion to resolve the problems of those remaining institutions. Therefore, based on FSLIC's $27 billion estimate of resources available to pay for insurance losses during the 11-year period 1988 through 1998, FSLIC will need an additional $50 billion to pay for insurance losses.

As large as that number is, there are three reasons it understates the total resources FSLIC will need. First, FSLIC has incurred substantial liabilities in the form of notes and various types of guarantees which will require payments in the future. Based on information FSLIC provided, as of December 31, 1988, the cash basis cost of its actions on S&Ls in the Southwest Plan will be over $44 billion, which is almost $20 billion more than FSLIC's estimated present value cost of $25 billion. (See attachment I.) This difference represents additional cash outlays that must be financed. It does not include additional outlays for the 135 institutions FSLIC acted on as of December 31, 1988, which were not

$10 billion to pay interest on additional borrowing.

It should be noted that the data and estimates are just that, estimates. Our estimates and those of knowledgeable other parties have risen over the last 2 years and are still subject to considerable uncertainty.

FSLIC'S RECENT ACTIONS

The current reported costs of FSLIC's resolution actions have doubled those estimated in conjunction with its 1987 financial statements. During 1988, FSLIC acted on 222 problem institutions, at an estimated present value cost exceeding $37 billion. In contrast, FSLIC's earlier projections estimated it would cost only about $15 billion to resolve the problems of these S&Ls. (See attachment III.)

Not only are FSLIC's costs running more than double what it estimated, but we are also concerned that its costs related to mergers and acquisitions may be more than if the institutions had been liquidated. For the most part, the merger and acquisition transactions into which FSLIC entered in 1988 provide tax breaks to acquirers in the form of nontaxable FSLIC assistance and the ability to use expected future losses to reduce their future federal income tax payments. To the federal government, a dollar of lost revenue is the same as an additional dollar in outlays.

provide payment for capital losses and guarantee an attractive income yield on held assets, regardless of their value. We question whether this coverage creates the right incentives for the institutions to expend resources to improve the assets' quality or to maximize recoveries upon liquidation of the assets. To the extent it does not, FSLIC's ultimate costs are increased.

-- Types of acquirers. We believe one of the factors which contributed to the thrift industry's current predicament was the entry of speculators, developers, and other parties with interests other than operating a conservative, traditional savings and loan association. In our view, such operators considered their thrifts a source of funds, rather than a charter to lend to others. To the extent the Bank Board and FSLIC are attracting these same types of investors, they could be setting the stage for future problems.

-- Special forbearance. The Bank Board's press releases announcing some of the recent transactions mention the granting of unspecified forbearances. Thus far, we have not obtained documentation detailing specifics of such forbearances, but are greatly concerned in this regard. First, the obvious question--if the transaction is purported to be a resolution, why is forbearance, which is

REVIEWS OF FAILED THRIFTS AND BANKS

To assist the Congress in its efforts to resolve this crisis, we have undertaken a number of assignments evaluating various aspects of the financial institutions industry and its insurance and regulatory functions. In developing a solution to the current thrift crisis and in determining how to prevent it from recurring, we believe it is instructive to look at the attributes of failed versus healthy thrifts. Therefore, today, I will discuss two of our reviews which focused on determining how so many thrifts and, to a lesser extent, banks got into this difficulty in the first place. During our reviews, we analyzed examination reports and other related supervisory documentation for failed thrifts and banks to determine whether such institutions are characterized by conditions or operating practices that distinguish them from healthy institutions. In addition, we interviewed numerous regulatory and industry officials, attorneys, and others knowledgeable about the thrifts and banks. We also examined the role which insider abuse and fraud as well as environmental factors, primarily economic conditions, played in these failures. Characterizations of the institutions' conditions and operating practices we discuss were recorded by examiners and regulators in documents we reviewed.

Our draft report on bank failures is currently with the bank regulators for comment, and our draft report on thrift failures could have on the government's efforts to seek recoveries in civil suits or to prosecute alleged criminal acts.

INTERNAL CONTROL WEAKNESSES PERVASIVE AT FAILED THRIFTS AND BANKS

Some within the financial institutions industry have expressed the view that the unprecedented problems and resultant failures are largely due to economic downturns in certain regions. However, both of our reviews lead to a different conclusion. Well-managed institutions with strong internal controls appeared able to remain viable despite downturns in local economies. Conversely, existing problems at poorly run institutions were exacerbated by adverse economic conditions, often leading to failure.

Federal regulators have often cited management-related problems as the leading cause of thrift and bank failures. For virtually all the institutions included in our reviews, regulatory documents identified serious internal control weaknesses which jeopardized the safety and soundness of the institutions' operations. The objectives of internal controls are to (1) safeguard assets, (2) ensure accuracy and reliability of data and compliance with policies, applicable laws, and regulations, and (3) promote management efficiency. Therefore, failure by management to establish and maintain adequate internal controls is

Virtually every one of the thrifts was operating in an unsafe and unsound manner and was exposed to risks far beyond what was prudent. Under the Bank Board's definitions, fraud or insider abuse existed at each and every one of the failed thrifts; allegations of criminal misconduct (those to which GAO had access) involved 19 of the 26. In contrast, the healthy thrifts we reviewed generally compiled with laws and regulations and operated in a safe and sound manner. Further, the boards of directors of many of the failed thrifts submitted to the will of a dominant individual, and in doing so, abdicated their fiduciary duty.

"Changes in federal and state laws, and downturns in some sectors of the economy were beyond management's control--they affected all thrifts. The weak condition of the failed thrifts, created by their illegal and/or unsafe practices coupled with high risk investments, was exacerbated by poor economic conditions. On the other hand, many thrifts which operated prudently survived the same adverse economic conditions.

"Despite the fact that examination reports revealed critical problems at the failed thrifts, federal regulators did not always obtain agreements for corrective action, or they obtained them only months or years after problems first appeared. The failed thrifts were not responsive to the concerns of regulators and often violated written agreements or enforcement actions. In in our reviews. For our purposes, a dominant figure is defined as a high-level individual who exerts a strong personal influence on all aspects of an institution's operations. While the presence of a dominant figure may not always have a negative effect on an institution, it can, and often does, result in a lack of separation of duties or accountability for actions, circumvention of policies or internal controls (if they exist), or other unsafe and unsound practices to the detriment of the institution's operations. This situation is exacerbated when inadequate supervision by the board of directors is also present.

For example, the dominant individual may, and often did, initiate a large number of poor-quality loans (which may ultimately result in losses) before the board is aware of risks assumed, may commit the institution to unsound courses of action, or may undertake abusive practices. In these circumstances, the board of directors does not question or control such an individual's decisions, nor does it hold the individual accountable for actions having a negative effect on the institution.

A dominant individual at one thrift, who was chairman of the board of directors, made an offer to acquire a company before obtaining approval of the board. The acquisition was subsequently approved by the board during a telephone conference call in which the chairman portrayed the company as a good investment. Pros and cons of the acquisition were not discussed; the board effectively

Some thrifts maintained staff to solicit deposits nationwide from professional fund managers. Such operations were called "money desks," and the deposits, "hot money." One thrift even sold jumbo certificates in European markets. Another failed thrift took in almost $170 million of brokered deposits in a 6-month period--an average of almost $1 million per day! At 17 of the 26 failed thrifts, liabilities more than doubled in at least 1 year prior to their failure. At one thrift, liabilities grew from $265 million to over $1.7 billion in 1 year, an increase of 575 percent.

Because they are volatile, these sources of funding are generally more expensive for an institution to obtain and retain, resulting in lower net interest margins on investments and loans made with them. According to regulators, lower net interest margins encourage management to seek higher-yielding, less secure loans and investments to maintain earnings, thus exposing the institution to even greater risk.

Underwriting and Loan Administration

Regulators cited weaknesses related to poor loan documentation or inadequate credit analysis at 92 percent of the failed thrifts and 41 percent of the failed banks. Loan documentation, consisting of complete and accurate data for making credit decisions, is an important aspect of granting credit and previously approved by the thrift's directors, as required. Bank Board officials stated, and examination reports confirmed, that appraisals often reflected only the "best case" scenario for the property or project--sometimes, unfavorable information would be overlooked or high occupancy rates at top dollar would be used.

To illustrate, when one thrift made a loan of over $54 million to a borrower who bought an office complex, it relied on a borrower-ordered appraisal. Examiners found that the appraisal did not accurately assess the property's value because, among other reasons, it did not consider that

-- more than half of the rentable space in the complex was already obligated by leases and options to lease at rates 50 percent below current market prices and

-- occupancy levels were low in nearby comparable properties as a result of newly built office buildings.

Noncompliance with loan terms

Loan terms which the thrifts themselves set were violated at half of the 26 failed thrifts. For example, in December 1982, a thrift's loan committee approved a $5 million loan for a borrower to acquire and develop a ski resort. The approval also required that (1) the borrower personally guarantee to repay the loan, financial institutions. The Federal Home Loan Bank Board itself cites insider abuse and fraud as the "most pernicious" of all factors leading to the insolvency of thrift institutions. As defined by the Bank Board, insider abuse and fraud were identified at each and every one of the 26 failed thrifts in our review. Insider abuse and fraud were less prevalent at the failed banks, but insider abuse was present in 64 percent of the 184 failures, and fraud, in 38 percent. However, bank regulators rarely cited insider abuse or fraud as the most significant contributing factors in the 1987 banks that failed.

The Bank Board's definitions of insider abuse and fraud include breaches of fiduciary duty, self-dealing, engaging in high-risk speculative ventures, excessive expenditures and compensation, and conflicts of interest, among other activities. Conflicts of interest were found at 77 percent of the failed thrifts. At one thrift, the board chairman attested to regulators in writing that he would not personally benefit from his thrift's investment in a service corporation in which he already owned an interest. In fact, half of the purchase price, $1 million, was a finder's fee paid to him indirectly for "services rendered."

Conflicts of interest were not confined to officers and directors of thrifts. The law firm representing one thrift also referred borrowers to the thrift, represented both parties in the resulting transactions, received fees from both parties, allowed thrift recorded nearly $21 million of income on several transactions during the last few days of December 1985. Examiners' subsequent review of these transactions revealed that the thrift developed inadequate documentation to support several of the transactions and did not perform appropriate collectibility analysis on notes received in connection with several of these transactions. Without these transactions, the thrift's net worth would have been approximately negative $12 million rather than the positive $9 million its records showed as a result of recording the questionable transactions.

Another type of transaction designed to thwart supervisory action by giving the appearance of adequate capital resulted from a thrift's indirect purchase of its own stock, often in deals involving land. Regulators term such arrangements as "dirt for stock" transactions. These transactions mask the fact that thrifts fund the purchase of their own stock in violation of regulations. In one such transaction, joint venture partners contributed undeveloped land to a venture, while the thrift contributed cash equal to the purported fair value of the land. This "fair value" was unsupported by appraisals. The cash the thrift contributed was distributed to the joint venture partners who had provided the land; they in turn used part of it to buy stock in the thrift. Subsequent appraisals of the land revealed that it had been grossly overvalued. Even though the thrift had indirectly provided the financing, the stock purchase increased its reported net worth.

lost almost $23 million. Regulators told another thrift that a bonus of over $800,000 (one third of the thrift's earnings) paid to one officer/director was excessive and a waste of assets. In response, management paid the individual $350,000 to relinquish his right to future bonuses and increased his salary from $100,000 to $250,000.

Extravagant expenditures included trips abroad for thrift officers and their families, extensive ownership of private planes and employment of pilots to operate them, and parties costing tens of thousands of dollars. One thrift owner used $2 million of the institution's funds to buy a beach house and another $500,000 for related expenses while he lived there. Thrift examiners noted these and other expenditures were not business-related.

High-Risk ADC Transactions

Perhaps the most critical problem unique to the failed thrifts was their extensive and imprudent participation in acquisition, development, and construction (ADC) transactions. Thrifts usually provided most or all of the funds on ADC transactions and had a commensurate amount of risk. To compensate for the risk, the thrifts were often to receive a part of the profits from the project. Generally, the thrifts relieved developers from any personal liability to repay the funds. If the developer defaulted, the thrift had only the property for projects were completed and made the thrifts more vulnerable to economic downturns in that region.

Loans to Borrowers Exceeded Legal Limits

Although a federal regulation limits the amount of money a thrift can lend to one borrower, about 88 percent of failed thrifts violated the regulation. Huge sums of money were often involved. One thrift continued to make loans to one borrower after promising federal examiners it would stop doing so. The loans totaled $88 million; the thrift expects to lose at least $23 million of the $88 million it lent to that borrower.

Recordkeeping Was Often Inadequate

The problems of insider abuse and high-risk deals were compounded by poor financial and other records at 85 percent of the failed thrifts. In some instances, the records were so poor that examiners could not tell the true financial condition of the thrifts, and the work of auditors was often delayed.

Examiners described the records one thrift used to prepare quarterly financial reports to submit to the Bank Board as "from no more than approximately correct to completely inaccurate." The report was "filled with a multitude of unexplained figures apparently stored in the controller's memory," they said.

identified during the examination process. The specific characteristics which generally distinguished healthy institutions from failed ones in our comparisons included

-- competent, well-qualified management;

-- good board supervision;

-- few or minor weaknesses in policies and procedures;

-- effective internal controls;

-- compliance with laws and regulations;

-- few supervisory enforcement actions;

-- no significant insider abuse or fraud; and

-- significantly less reliance on ADC transactions.

IMPEDIMENTS TO AGGRESSIVE ACTION ON PROBLEM THRIFTS

Neither our thrift nor bank failures assignment was intended to assess the adequacy of regulatory oversight or enforcement activity. Nonetheless, our review of Bank Board examination reports and related documentation made it clear that the system was often ineffective in either preventing or stopping unsafe or illegal practices once they were detected.

Regulators Did Not Keep Pace With Diversification

Before thrifts entered into new business activities in the early 1980s, examiners had the relatively simple task of examining portfolios of residential mortgage loans. However, the newly salary limits. As a result of this change, the examination and supervisory staff increased from 1,063 in June 1985 to 2,068 in June 1988. However, by this time, the seeds of destruction had already taken root at many thrifts.

FSLIC's Insolvency Prevents Liquidating Insolvent Thrifts

The ultimate enforcement power the Bank Board can impose on an insolvent or unsafe institution--liquidation--has been seriously restricted by FSLIC's financial condition. The insurance fund itself has been insolvent since 1986, and its condition continues to deteriorate.

Without the financial resources to liquidate an insolvent thrift, the Bank Board's effectiveness as a regulator has been reduced. The Bank Board pursued a strategy of forbearance, that is, allowing (since it had little alternative) insolvent thrifts to stay open until a solution not requiring FSLIC funds could be found. It began to rely heavily upon finding merger partners for troubled thrifts, rather than liquidating them.

Doubts About Authority to Regulate State-Chartered Thrifts

Twenty of the 26 thrifts in our review were state chartered. These thrifts were given investment powers by the states far beyond practices, that the National Housing Act authorizes the Board to regulate state-chartered institutions."

Dual Roles of Both the Bank Board and District Banks Hamper Regulation and Enforcement

As both promoters of the thrift industry and regulators of thrift activities, the Bank Board's and the district banks' responsibilities have built-in conflicts, and their ability to fulfill either role is diminished. Furthermore, because FSLIC, the entity charged with protecting insured deposits, is controlled by the Bank Board, it is unable to initiate enforcement actions against a thrift without the Bank Board's recommendation.

The Federal Home Loan Bank System includes several entities with roles in overseeing thrift activity: the district banks, the Office of Regulatory Activities (ORA), and offices within the Bank Board itself, including the Office of Enforcement (OE). To attract more examiners, the Bank Board delegated its responsibility to examine and supervise thrifts to the 12 district banks. Thus, the district banks also have the dual role of promoting and supervising the thrift industry.

Although FSLIC is responsible for the integrity of the insurance fund, it cannot take strong action against a thrift without the Bank Board's approval. When a district bank, OE, and ORA believe a thrift's problems cannot be resolved without FSLIC

Resolving the Thrift Crisis

The insolvent thrifts are adversely affecting the healthy thrifts and their bank counterparts, primarily because they are driving up the cost of funds and driving down loan rates at the same time that thrifts are having to pay an additional one-eighth of 1 percent of deposits for their deposit insurance. Although the Bank Board and FSLIC have attempted to deal with the crisis, they have, in many cases, merely postponed meaningful actions on the thrifts' problems. FSLIC has issued many open-ended yield guarantees and other types of guarantees, potentially exposing it to even greater losses than have been recognized. Moreover, because FSLIC will soon have to start paying off its notes and honoring its guarantees, unless it is allowed to roll over the notes and defer guarantee payments, FSLIC could be approaching a liquidity crisis of its own.

We believe immediate steps need to be taken to stem the flow of red ink and to minimize the ultimate cost of resolving the thrift crisis. In developing a solution to the crisis, several major premises should be considered:

-- The solution must be acted upon quickly to (1) avert the widespread loss of confidence in the U.S. financial institutions industry that could result if FSLIC runs out of funds, and (2) stem the continuing operating solving the crisis, and could have serious financial consequences in other areas.

-- The solution should not be used as a mechanism to debate whether a separate thrift industry is needed because to do so could also delay solving the crisis.

With these major premises in mind, we believe certain steps should be taken immediately to resolve the crisis:

-- Based on generally accepted accounting principles capital levels, take control of and isolate in a special receivership arrangement the troubled segment of the thrift industry until a decision can be made to liquidate or merge them based on a careful assessment of their asset portfolios and the comparative cost of each approach. In effect, take them out of the market immediately.

-- Provide a separate mechanism to control and oversee this process.

-- Use Treasury resources to immediately make the funds available to cover all of the insured deposits in these institutions to finance any deposit outflows that might institutions did not implement adequate internal controls to ensure safe and sound operations or compliance with laws and regulations. Such a breach of management's fiduciary duty points to the need for an increased awareness of this responsibility and for greater management accountability.

In regard to banks, federal regulators do not currently require all insured banks to have an annual independent audit. Small banks (under $50 million in assets) obtained independent audits less frequently than larger banks and, according to regulators, are less likely to have adequate internal controls or internal auditing functions. Therefore, we believe that annual independent audits should be required to assist bank management and federal regulators in the early detection and correction of weaknesses.

With regard to both banks and thrifts, we believe the respective regulators should implement a requirement for financial institutions' management to prepare annual reports (1) acknowledging their responsibility for maintaining effective systems of control and complying with laws and regulations, (2) providing their assessment of the adequacy of their internal control systems and their compliance with laws and regulations, and (3) explaining any existing weaknesses along with plans for their correction. Such reports should be examined by the institutions' auditors, who would issue reports to the regulator recommendation will result in an independent FSLIC with full regulatory and supervisory powers. The new independent FSLIC would be in a position to establish regulatory and supervisory policies intended primarily to protect the interests of the insurance fund, and should be able to place stringent controls on improperly operated and undercapitalized thrifts. In this regard, we believe the federal banking regulators, who in the 1980s have dealt with similar problems in the banking industry, should be used to advise and assist an independent FSLIC in establishing its regulatory and supervisory functions.

It is also important that such a restructuring not result in any impairment to an independent FSLIC's ability to attract and retain qualified regulatory and examination staff. Accordingly, the regulatory and examination functions of the new FSLIC should be exempted from the federal personnel ceiling and salary limitations just as they are for FDIC.

Mr. Chairman, this concludes my formal statement. At this time, I would be pleased to answer any questions you may have.

ATTACHMENT I

ESTIMATED COSTS OF SOUTHWEST PLAN RESOLUTIONS ACTIONS THROUGH DECEMBER 31, 1988 (Unaudited)

ACQUIRER	ESTIMATED COST OF ASSISTANCE AGREEMENTS (PRESENT VALUE)	PRESENT VALUE BASIS @					
		CASH	NOTES (PRINCIPAL)	NOTES (INTEREST)	CAPITAL LOSS COVERAGE	YIELD SUBSIDY	OTHER **
COASTAL BANC SA	$146,226	$3,627	$12,584	$22,569	$52,001	$52,888	$2,557
SOUTHWEST SA	$1,980,323		$219,637	$290,136	$817,137	$653,413	
MERABANK FSB	$665,655		$69,122	$96,177	$291,277	$215,326	($6,247)
GIBSON GROUP, INC.	$1,313,780		$197,393	$297,739	$317,319	$481,404	$19,925
SUNBELT SA	$6,166,637		$918,691	$1,492,472	$1,721,533	$2,033,941	
PULTE DIVERSIFIED CO.	$1,090,233		$191,189	$330,929	$238,959	$335,846	($6,690)
TEMPLE-INLAND	$1,489,130		$253,385	$426,691	$329,844	$540,300	($61,090)
CLUB CORPORATION	$999,545		$98,766	$164,138	$294,455	$446,061	($3,875)
ADAM CORPORATION	$1,287,372		$113,319	$178,442	$399,893	$645,347	($49,629)
AMERICITY FSB	$160,787		$7,823	$11,790	$59,456	$84,466	($2,748)
CFSB CORPORATION	$1,846,254		$313,405	$515,294	$404,391	$639,966	($26,802)
UTLEY FORD	$5,046,258		$822,383	$1,234,481	$1,346,093	$1,546,902	$96,399
PACIFIC USA HOLDINGS	$566,203		$63,990	$96,606	$163,932	$241,675	
CENTEX CORPORATION	$428,770		$87,039	$160,305	$113,898	$67,734	($206)
HYPERION PARTNERS	$1,372,166		$102,760	$154,315	$520,792	$561,219	$33,080
TOTAL	$24,559,339	$3,627	$3,471,486	$5,472,084	$7,070,980	$8,546,488	($5,326)

** "Other" column includes mark to market adjustments, prepayment penalties on FHLB advances and projected future income from FSLIC ownership interests and return of tax benefits.

@ All figures in thousands.

Source: FSLIC Records

ATTACHMENT II

CAPITAL CONTRIBUTIONS AND COSTS OF ACTIONS
UNDER THE SOUTHWEST PLAN
THROUGH NOVEMBER 6, 1988
(Unaudited)
(all figures in thousands)

ATTACHMENT II

ACQUIRER	THRIFTS ACQUIRED	ACQUIRER CONTRIBUTION	FSLIC ASSISTANCE	TOTAL ASSETS OF ACQUIRED ASSOCIATIONS	FSLIC COST AS A PERCENT OF ASSETS
PULTE DIVERSIFIED	ALLENPARK FS&LA	$45,000	$1,090,233	$1,345,700	81.02%
	BAY CITY FS&LA				
	GULF COAST S&LA				
	HEIGHTS SA, FSB				
	CHAMPION SA				
TEMPLE-INLAND	DELTA SVGS OF TEXAS	$128,000	$1,489,130	$3,190,200	46.68%
	GUARANTY FS&LA				
	FIRST FS&LA				
CLUB CORPORATION	CREDITBANC SA	$25,000	$999,545	$1,184,400	84.39%
	FRANKLIN SA				
	GREAT WEST SB				
ADAM CORPORATION	BANC HOME SA	$80,000	$1,287,372	$3,749,800	34.33%
	FIRST FS&LA				
	HEART O' TEXAS SA				
	ODESSA SA				
	OLNEY SA				
	PETROPLEX SA				
	SAN ANGELO SA				
	SECURITY FS&LA				
	SHAMROCK FSB				
	SOUTHERN S&LA				
	SOUTHWEST S&LA				
AMERICITY FSB	TESORO S&LA	$8,400	$160,787	$250,500	64.19%
CFSB CORPORATION	MESQUITE S&LA	$120,000	$1,846,254	$1,878,600	98.28%
	LAMESA FS&LA				
	HOME S&LA				
	VISTA SA				
	HI-PLAINS S&LA FSA				
	RELIANCE SA				
	FIRST WESTERN S&LA				
	METROPLEX FSA				
	SOUTHERN FEDERALBANC S&LA				
	COMMODORE SA				
	MINERAL WELLS S&LA				
	SENTRY SA				
	INTERWEST SA				
	NORTHPARK SA				
	FIRST FS&LA				
UTLEY FORD	HOME SA	$315,000	$5,046,258	$12,028,200	41.95%
	GIBRALTAR SA				

ATTACHMENT III

FSLIC ASSISTED TRANSACTIONS
TO MERGE OR CLOSE PROBLEM INSTITUTIONS
IN CALENDAR YEAR 1988
(Unaudited)
(All figures in thousands)

TRANS #	FAILED ASSOCIATION	TYPE OF ACTION	TOTAL ASSETS AT DATE OF FSLIC ACTION	REPORTED COST TO FSLIC	PROJECTED COST AT 12/31/87 **	INCREASE/ (DECREASE) OVER PROJECTED COST
1	FIRST FS&LA	ACQUISITION	$31,100	$13,150	$13,150	$0
2	MAGNET BANK, FSB TRADERS FS&LA MOUNTAIN STATE FS&LA	ACQUISITION	$710,000	$77,221	$81,470	($4,249)
3	FIRST FS&LA	ACQUISITION	$30,900	$3,805	$3,810	($5)
4	FIRST FEDERATED SB PERPETUAL S&LA FIRST FSB PEOPLES FS&LA	ACQUISITION	$566,400	$158,184	$158,180	$4
5	TRI-CITIES S&LA	ACQUISITION	$54,500	$15,816	$16,610	($794)
6	CITIZENS S&LA	ACQUISITION	$39,020	$6,100	$6,780	($680)
7	VALLEY FS&LA	ACQUISITION	$87,500	$7,069	$7,420	($351)
8	ALLIANCE S&LA COLORADO COUNTY FS&LA SECURITY S&LA CAMERON COUNTY S&LA	ACQUISITION	$455,800	$146,226	$64,344	$81,882
9	LAMAR SA CITY S&LA STOCKTON SA BRIERCROFT SA	ACQUISITION	$3,998,400	$1,980,323	$1,012,200	$968,123
10	FIRST FS&LA	ACQUISITION	$245,500	$72,079	$66,290	$5,789
11	EUREKA FS&LA	ACQUISITION	$1,740,000	$303,485	$285,050	$18,435
12	FRONTIER FSB	ACQUISITION	$48,050	$9,560	$10,640	($1,080)
13	BLUEBONNET SA	ACQUISITION	$24,100	$8,119	$8,520	($401)
14	FIRST FINANCIAL SA BROWNFIELD FS&LA	ACQUISITION	$370,000	$83,868	$43,499	$40,369
15	STANFORD SA	ACQUISITION	$76,500	$8,394	$5,840	$2,554
16	LYNNWOOD S&LA	ACQUISITION	$24,600	$6,100	$4,620	$1,480

FSLIC ASSISTED TRANSACTIONS
TO MERGE OR CLOSE PROBLEM INSTITUTIONS
IN CALENDAR YEAR 1988
(Unaudited)
(All figures in thousands)

ATTACHMENT III

TRANS #	FAILED ASSOCIATION	TYPE OF ACTION	TOTAL ASSETS AT DATE OF FSLIC ACTION	REPORTED COST TO FSLIC	PROJECTED COST AT 12/31/87 **	INCREASE/ (DECREASE) OVER PROJECTED COST
29	HOMESTATE S&LA	ACQUISITION	$190,000	$44,798	$41,460	$3,338
30	BELL FS&LA	ACQUISITION	$953,500	$565,769	$600,050	($34,281)
31	SUNBELT SA	MERGER	$4,826,300	$6,166,637	$2,757,278	$3,409,359
	INDEPENDENT AMERICAN SA					
	WESTERN FS&LA					
	SUMMIT SA					
	TEXANA S&LA					
	FEDERATED S&LA					
	FIRST CITY SA					
	MULTIBANK SA					
32	CAPITAL FSB	MERGER	$3,329,000	$880,833	$282,528	$598,305
	MUTUAL FS&LA					
33	FIRST OK SB					
	MID AMERICA FS&LA					
34	KINGFISHER FS&LA					
	SUNBELT SAV FS&LA					
35	FRONTIER FS&LA					
	HOME S&LA					
36	PHOENIX FS&LA					
	CIMARRON FS&LA					
37	FIRST FS&LA					
	HERITAGE S&LA					
	HOME SB, FA					
	PEOPLES FS&LA					
38	CITIZENS FS&LA	ACQUISITION	$62,700	$0	$3,986	($3,986)
39	FIRST FS&LA	ACQUISITION	$124,800	$19,600	$16,450	$3,150
40	FIDELITY FS&LA	ACQUISITION	$41,120	$3,693	$2,210	$1,483
41	BAY CITY FS&LA	ACQUISITION	$689,000	$490,605	$285,318	$205,287
	GULF COAST S&LA					
	ALLENPARK FS&LA					
	HEIGHT SA, FSB					
42	COOSA FS&LA	ACQUISITION	$78,400	$12,900	$6,357	$6,543

FSLIC ASSISTED TRANSACTIONS
TO MERGE OR CLOSE PROBLEM INSTITUTIONS
IN CALENDAR YEAR 1988
(Unaudited)
(All figures in thousands)

ATTACHMENT III

TRANS #	FAILED ASSOCIATION	TYPE OF ACTION	TOTAL ASSETS AT DATE OF FSLIC ACTION	REPORTED COST TO FSLIC	PROJECTED COST AT 12/31/87 ##	INCREASE/ (DECREASE) OVER PROJECTED COST
57	PEOPLES FSB	ACQUISITION	$374,300	$34,900	$28,662	$6,238
58	RELIANCE S&LA	ACQUISITION	$67,000	$11,300	$28,620	($17,320)
59	LINCOLN FS&LA	ACQUISITION	$1,300,000	$145,700	$93,190	$52,510
60	TESORO S&LA	ACQUISITION	$250,000	$160,787	$23,405	$137,382
61	FLAGSHIP FS&LA	ACQUISITION	$96,900	$23,758	$7,140	$16,618
62	SOUTH SIDE S&LA	ACQUISITION	$57,600	$10,913	$7,440	$3,473
63	MIDAMERICA SB	ACQUISITION	$252,000	$14,000	$4,417	$9,583
64	EASTERN WASHINGTON S&LA	ACQUISITION	$51,500	$1,975	$0	$1,975
65	ROOKS COUNTY S&LA	ACQUISITION	$32,100	$19,525	$2,798	$16,727
66	COMMUNITY FIRST FS&LA AMERICAN HOME SVGS FSB	ACQUISITION	$814,600	$166,625	$64,170	$102,455
67	BLOOMFIELD FS&LA FIRST DEARBORN FA	ACQUISITION	$881,000	$118,300	$137,304	($19,004)
68	ROCKY MOUNTAIN FS&LA UNITED SB OF WYOMING	ACQUISITION	$531,000	$180,118	$45,000	$135,118
69	OHIO VALLEY S&LA FIRST BORDER SB	ACQUISITION	$317,800	$90,742	$46,830	$43,912
70	GLEN ELLYN FS&LA	ACQUISITION	$71,300	$20,308	$17,500	$2,808
71	MESQUITE S&LA LAMESA FS&LA HOME S&LA VISTA SA HI-PLAINS S&LA FSA RELIANCE SA FIRST WESTERN S&LA METROPLEX FSA SOUTHERN FEDERALBANC S&LA COMMODORE SA	ACQUISITION	$1,878,600	$1,846,254	$611,814	$1,234,440

FSLIC ASSISTED TRANSACTIONS
TO MERGE OR CLOSE PROBLEM INSTITUTIONS
IN CALENDAR YEAR 1988
(Unaudited)
(All figures in thousands)

ATTACHMENT III

TRANS #	FAILED ASSOCIATION	TYPE OF ACTION	TOTAL ASSETS AT DATE OF FSLIC ACTION	REPORTED COST TO FSLIC	PROJECTED COST AT 12/31/87 **	INCREASE/ (DECREASE) OVER PROJECTED COST
84	SOUTH FLORIDA FS&LA FIRST FS&LA	ACQUISITION	$1,385,800	$29,000	$19,180	$9,820
85	HOME FS&LA NORTHWEST FS&LA	ACQUISITION	$177,600	$54,766	$21,090	$33,676
86	ARROWHEAD FS&LA	ACQUISITION	$6,600	($7,136)	$0	($7,136)
87	COLUMBIA SVGS FS&LA MILE HIGH FS&LA CARDINAL FSB PATHWAY FINANCIAL FA	ACQUISITION	$4,980,000	$608,224	$274,335	$333,889
88	UNITED SA OF TEXAS	ACQUISITION	$4,400,000	$1,372,166	$0	$1,372,166
89	LYONS SVGS FS&LA	ACQUISITION	$1,530,000	$385,108	$120,530	$264,578
90	COLUMBUS S&LA FS&LA CAL AMERICA S&LA FS&LA FIRST SECURITY FS&LA	ACQUISITION	$574,100	$235,366	$164,550	$70,816
91	TAHOE S&LA FS&LA	ACQUISITION	$46,600	$29,900	$20,090	$9,810
92	UNITED FS&LA	ACQUISITION	$93,700	$8,000	$260	$7,740
93	BROWARD FS&LA	ACQUISITION	$564,000	$150,978	$95,430	$55,548
94	BEVERLY HILLS S&LA FS&LA	ACQUISITION	$1,310,000	$1,144,464	$431,100	$713,364
			$102,390,470	$33,245,306	$13,417,041	$19,828,265
	* LIQUIDATIONS *					
95	FIRST SA OF EAST TX	LIQUIDATION	$62,900	$87,985	$87,990	($5)
96	TERRITORY S&LA	LIQUIDATION	$37,800	$46,186	$46,190	($4)
97	CITIZENS S&LA	LIQUIDATION	$150,000	$141,264	$141,270	($6)

 ATTACHMENT III

FSLIC ASSISTED TRANSACTIONS
TO MERGE OR CLOSE PROBLEM INSTITUTIONS
IN CALENDAR YEAR 1988
(Unaudited)
(All figures in thousands)

TRANS #	FAILED ASSOCIATION	TYPE OF ACTION	TOTAL ASSETS AT DATE OF FSLIC ACTION	REPORTED COST TO FSLIC	PROJECTED COST AT 12/31/87 ##	INCREASE/ (DECREASE) OVER PROJECTED COST
120	KEY FS&LA	LIQUIDATION	$149,500	$131,235	$109,190	$22,045
121	SILVERADO BANKING S&LA	LIQUIDATION	$2,320,000	$1,053,851	$0	$1,053,851
			$5,408,480	$3,907,381	$1,883,954	$2,023,427
	** TOTAL **		$107,798,950	$37,152,687	$15,300,995	$21,851,692

Represents either amount accrued or negative tangible net worth at 12/31/87

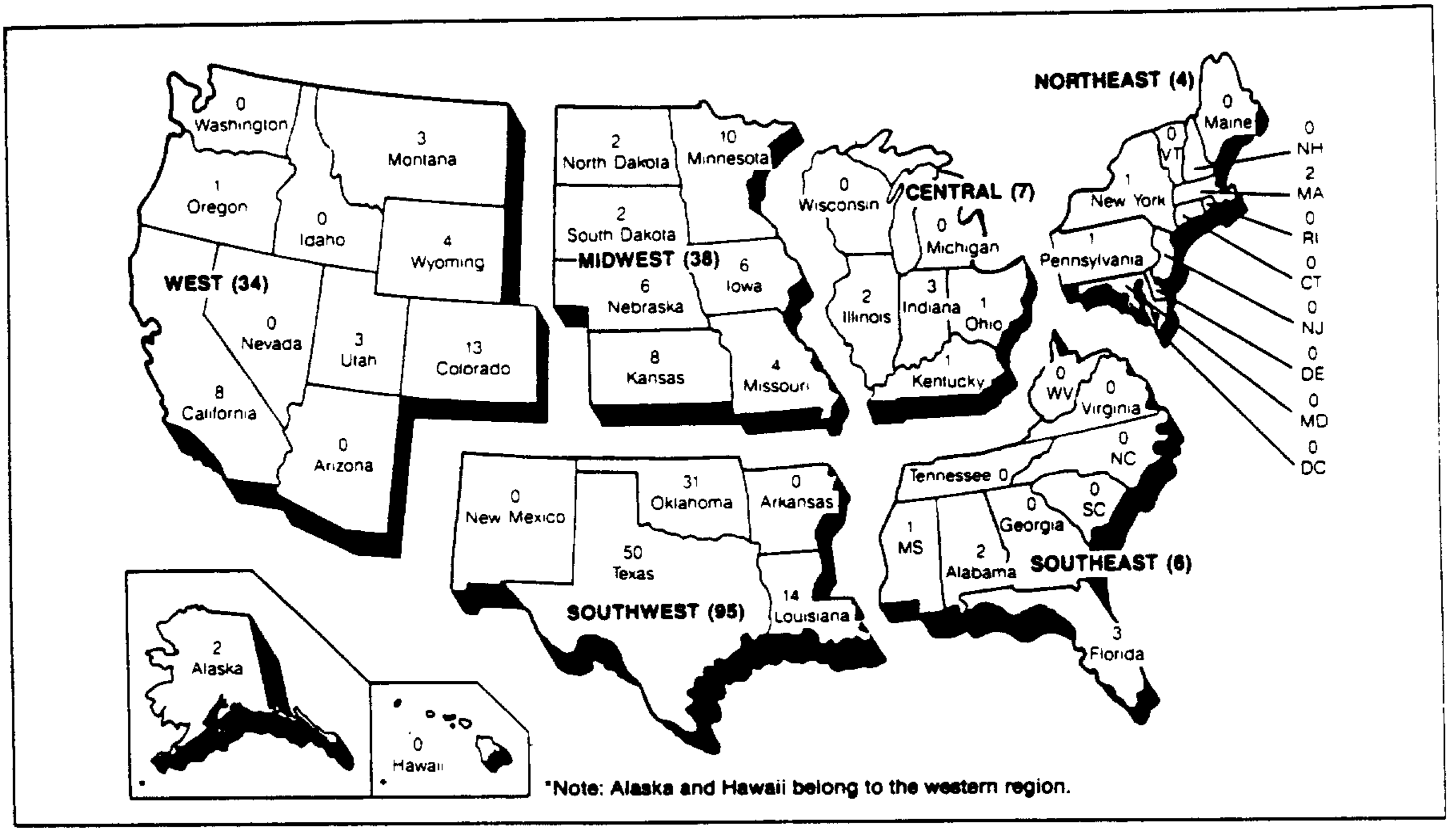
Source: FSLIC Records

LOCATION OF FAILED THRIFTS

	FAILED THRIFTS IN DISTRICT	THRIFTS IN OUR SAMPLE
CINCINNATI DISTRICT		
Kentucky	5	
Ohio	11	
Tennessee	6	
	22	
INDIANAPOLIS DISTRICT		
Indiana	5	
Michigan	4	
	9	
CHICAGO DISTRICT		
Illinois	17	
Wisconsin	2	
	19	
DES MOINES DISTRICT		
Iowa	8	1
Minnesota	5	0
Missouri	5	0
North Dakota	0	0
South Dakota	0	0
	18	1
DALLAS DISTRICT		
Arkansas	7	1
Louisiana	24	0
Mississippi	2	0
New Mexico	2	0
Texas	46	10
	81	11

ATTACHMENT V

GEOGRAPHIC DISTRIBUTION OF 1987 FAILED BANKS



SUMMARY OF INTERNAL CONTROL WEAKNESSES CITED BY EXAMINERS FOR 1987 FAILED BANKS

Internal Control Weaknesses	Percent of banks affected
Inadequate or imprudent general loan policies	79
Inadequate board supervision	49
Poor loan administration	42
Poor loan documentation and inadequate credit analysis	41
Overreliance on volatile funding sources	32
Presence of dominant figure	31
Inadequate loan loss allowance	29
Excessively growth-oriented philosophies	26
Unwarranted loan concentrations	24
Lack of technical competence	20
Excessive out-of-area lending	16

CHARACTERISTICS OF 26 FAILED THRIFTS IN OUR SAMPLE

Characteristic	Failed Thrifts Number	Failed Thrifts Percent
Change from traditional to high-risk activity	26	100
Inadequate credit analysis	24	92
Inadequate appraisals	23	88
Excessive loans to one borrower	23	88
Inaccurate recordkeeping and inadequate controls	22	85
Growth with jumbo deposits	21	81
Transactions with affiliates	21	81
Conflicts of interest	20	77
ADC lending	19	73
Passive board of directors or dominant individual	19	73
Excessive compensation	17	65
Inadequate project analysis	17	65
Change in control	16	62
Faulty loan disbursements	14	54

LOCATION OF FAILED THRIFTS

	FAILED THRIFTS IN DISTRICT	THRIFTS IN OUR SAMPLE
TOPEKA DISTRICT		
Colorado	7	
Kansas	6	
Nebraska	4	
Oklahoma	12	
	29	
SAN FRANCISCO DISTRICT		
Arizona	1	1
California	37	8
Nevada	1	0
	39	9
SEATTLE DISTRICT		
Alaska	2	0
Hawaii	1	0
Guam	0	0
Idaho	2	2
Montana	1	0
Oregon	11	2
Utah	4	0
Washington	6	0
Wyoming	3	0
	30	4

LOCATION OF FAILED THRIFTS

	FAILED THRIFTS IN DISTRICT	THRIFTS IN OUR SAMPLE
BOSTON DISTRICT		
Connecticut	1	
Maine	1	
Massachusetts	0	
New Hampshire	0	
Rhode Island	0	
Vermont	0	
	2	
NEW YORK DISTRICT		
New Jersey	5	
New York	1	
Puerto Rico	0	
	6	
PITTSBURGH DISTRICT		
Delaware	0	
Pennsylvania	0	
West Virginia	2	
	2	
ATLANTA DISTRICT		
Alabama	3	0
District of Columbia	1	0
Florida	12	1
Georgia	2	0
Maryland	1	0
North Carolina	1	0
South Carolina	1	0
Virginia	6	0
	27	1

ATTACHMENT III

FSLIC ASSISTED TRANSACTIONS
TO MERGE OR CLOSE PROBLEM INSTITUTIONS
IN CALENDAR YEAR 1988
(Unaudited)
(All figures in thousands)

ATTACHMENT III

TRANS #	FAILED ASSOCIATION	TYPE OF ACTION	TOTAL ASSETS AT DATE OF FSLIC ACTION	REPORTED COST TO FSLIC	PROJECTED COST AT 12/31/87 **	INCREASE/ (DECREASE) OVER PROJECTED COST
98	MT. WHITNEY S&LA	LIQUIDATION	$34,000	$37,228	$46,380	($9,152)
99	RAMONA FS&LA	LIQUIDATION	$45,000	$76,344	$76,340	$4
100	FIRST FS&LA	LIQUIDATION	$130,000	$55,765	$52,340	$3,425
101	INVESTORS S&LA	LIQUIDATION	$81,100	$40,740	$40,740	$0
102	UNITED S&LA	LIQUIDATION	$86,500	$49,113	$44,110	$5,003
103	FIRST FS&LA	LIQUIDATION	$128,780	$55,765	$29,880	$25,885
104	AMERICAN FS&LA	LIQUIDATION	$164,400	$67,219	$32,630	$34,589
105	CARDINAL SB	LIQUIDATION	$93,800	$34,365	$25,622	$8,743
106	LARUE FS&LA	LIQUIDATION	$13,100	$6,862	$5,110	$1,752
107	VICTOR S&LA	LIQUIDATION	$230,000	$241,000	$124,850	$116,150
108	THE AMERICAN FS&LA	LIQUIDATION	$70,400	$111,763	$71,690	$40,073
109	UNIVERSAL SA	LIQUIDATION	$54,800	$35,757	$29,780	$5,977
110	NORTH AMERICAN S&LA	LIQUIDATION	$98,200	$133,219	$66,170	$67,049
111	AMER. DIVERSIFIED SB	LIQUIDATION	$509,000	$797,589	$631,170	$166,419
112	FARMERS FS&LA	LIQUIDATION	$181,500	$198,943	$119,940	$79,003
113	ULTIMATE SB, FSB	LIQUIDATION	$192,500	$82,617	$0	$82,617
114	PEOPLES S&LA	LIQUIDATION	$21,500	$15,720	$8,340	$7,380
115	LIBERTY FSB	LIQUIDATION	$150,000	$79,851	$10,272	$69,579
116	REGENCY SB	LIQUIDATION	$148,500	$52,500	$30,070	$22,430
117	CYPRESS SA	LIQUIDATION	$172,800	$94,343	$0	$94,343
118	TWIN CITY SVGS FSA	LIQUIDATION	$72,100	$176,657	$52,600	$124,057
119	CENTRAL ARKANSAS S&LA	LIQUIDATION	$10,300	$3,500	$1,280	$2,220

FSLIC ASSISTED TRANSACTIONS
TO MERGE OR CLOSE PROBLEM INSTITUTIONS
IN CALENDAR YEAR 1988
(Unaudited)
(All figures in thousands)

ATTACHMENT III

TRANS #	FAILED ASSOCIATION	TYPE OF ACTION	TOTAL ASSETS AT DATE OF FSLIC ACTION	REPORTED COST TO FSLIC	PROJECTED COST AT 12/31/87 ##	INCREASE/ (DECREASE) OVER PROJECTED COST
	MINERAL WELLS S&LA					
	SENTRY SA					
	INTERWEST SA					
	NORTHPARK SA					
	FIRST FS&LA					
72	VIRGINIA FS&LA	ACQUISITION	$689,200	$13,500	$21,929	($8,429)
73	HOME SA	ACQUISITION	$12,028,200	$5,046,258	$449,999	$4,596,259
	GIBRALTAR SA					
	MONTFORT SA FSA					
	KILLEEN S&LA					
	FIRST TEXAS SA					
74	AMERICAN S&LA	ACQUISITION	$30,162,200	$1,700,000	$1,500,000	$200,000
75	FIRST FS&LA	ACQUISITION	$265,700	$4,880	$5,206	($326)
76	MCLEAN S&LA FS&LA	ACQUISITION	$298,500	$68,674	$3,004	$65,670
77	FIRST FSB	ACQUISITION	$264,300	$59,600	$0	$59,600
78	AMERICAN SB	ACQUISITION	$970,500	$187,900	$129,460	$58,440
79	CHARTER S&LA	ACQUISITION	$854,000	$566,203	$86,568	$479,635
	KEYSTONE S&LA					
	BAYVIEW FSA					
	FIRST FS&LA					
	INDEPENDENCE S&LA					
	YOAKUM FS&LA					
	UNION SA (GOLIAD S&LA)					
	SEGUIN SA					
80	BURNET S&LA	ACQUISITION	$322,000	$428,770	$103,140	$325,630
	LEE SA					
	RANCHERS SA					
	PEOPLES S&LA					
81	COMMUNITY FS&LA	ACQUISITION	$13,300	($6,441)	$0	($6,441)
82	GREAT FALL FS&LA	ACQUISITION	$134,300	$11,421	$9,551	$1,870
83	PEORIA S&LA	ACQUISITION	$176,900	$17,437	$8,568	$8,869

ATTACHMENT III

ATTACHMENT III

FSLIC ASSISTED TRANSACTIONS
TO MERGE OR CLOSE PROBLEM INSTITUTIONS
IN CALENDAR YEAR 1988
(Unaudited)
(All figures in thousands)

TRANS #	FAILED ASSOCIATION	TYPE OF ACTION	TOTAL ASSETS AT DATE OF FSLIC ACTION	REPORTED COST TO FSLIC	PROJECTED COST AT 12/31/87 ##	INCREASE/ (DECREASE) OVER PROJECTED COST
43	FREEDOM FS&LA	ACQUISITION	$315,400	$23,100	$37,250	($14,150)
44	LOVES PARK FSB	ACQUISITION	$42,400	$4,958	$1,560	$3,398
45	CHAMPION SA	ACQUISITION	$656,700	$599,628	$355,367	$244,261
46	ARSENAL SA FRANKTON FS&LA	ACQUISITION	$197,000	$34,970	$37,800	($2,830)
47	BUTTERFIELD FS&LA	ACQUISITION	$541,300	$281,169	$76,670	$204,499
48	DELTA SVGS OF TEXAS GUARANTY FS&LA FIRST FS&LA	ACQUISITION	$3,190,200	$1,489,130	$291,440	$1,197,690
49	CREDITBANC SA FRANKLIN SA GREAT WEST SB	ACQUISITION	$1,184,400	$999,545	$325,396	$674,149
50	UNITED SA OF CENT. IND.	ACQUISITION	$60,800	$8,379	$4,840	$3,539
51	CITIZENS FS&LA	ACQUISITION	$53,600	$5,356	$6,090	($734)
52	ADOBE SB	ACQUISITION	$47,000	$3,100	$412	$2,688
53	FIRST FSB OF INDIANA CAPITAL FS&LA	ACQUISITION	$341,800	$28,000	$5,251	$22,749
54	FIRST FS&LA	ACQUISITION	$64,400	$25,486	$15,500	$9,986
55	BANC HOME SA FIRST FS&LA HEART O' TEXAS SA ODESSA SA OLNEY SA PETROPLEX SA SAN ANGELO SA SECURITY FS&LA SHAMROCK FSB SOUTHERN S&LA SOUTHWEST S&LA	ACQUISITION	$3,749,800	$1,287,372	$400,186	$887,186
56	JACKSON COUNTY FS&LA	RECAP.	$273,300	$86,700	$27,460	$59,240

ATTACHMENT III

FSLIC ASSISTED TRANSACTIONS
TO MERGE OR CLOSE PROBLEM INSTITUTIONS
IN CALENDAR YEAR 1988
(Unaudited)
(All figures in thousands)

TRANS #	FAILED ASSOCIATION	TYPE OF ACTION	TOTAL ASSETS AT DATE OF FSLIC ACTION	REPORTED COST TO FSLIC	PROJECTED COST AT 12/31/87 **	INCREASE/ (DECREASE) OVER PROJECTED COST
17	MUSKEGON FS&LA	ACQUISITION	$202,000	$4,000	$4,200	($200)
18	GALVA FS&LA MUTUAL S&LA HOME FS&LA	ACQUISITION	$172,980	$33,800	$42,000	($8,200)
19	REPUBLIC SVGS. FS&LA	ACQUISITION	$36,500	$17,831	$17,800	$31
20	FIRST FS&LA	ACQUISITION	$84,900	$13,300	$19,850	($6,550)
21	FIRST FS&LA	ACQUISITION	$36,400	$2,700	$2,260	$440
22	IRVING SA LONGVIEW S&LA GLADEWATER FS&LA RICHARDSON S&LA MAJESTIC SA COMMERCE FS&LA PARIS S&LA AMERICAN BANC SA SKYLINE SA BEN MILAM S&LA MERCURY SA SOUTHLAND SA	ACQUISITION	$2,217,200	$1,313,780	$628,404	$685,376
23	FIRST FEDERAL BANK FSB WESTERN FS&LA	ACQUISITION	$49,600	$13,000	$12,210	$790
24	CAPITOL FS OF AM	ACQUISITION	$242,600	$30,805	$51,060	($20,255)
25	FIRST FS&LA FIRST FS&LA FIRST FS&LA WASHINGTON FSB PEOPLES S&LA PIONEER FS&LA	ACQUISITION	$1,088,900	$299,044	$251,535	$47,509
26	STATE FS&LA	ACQUISITION	$454,000	$581,787	$418,140	$163,647
27	COMMERCE FSB	ACQUISITION	$40,200	$17,400	$17,850	($450)
28	NORTHWEST FS&LA	ACQUISITION	$26,700	$2,389	$170	$2,219

CAPITAL CONTRIBUTIONS AND COSTS OF ACTIONS
UNDER THE SOUTHWEST PLAN
THROUGH NOVEMBER 6, 1988
(Unaudited)
(all figures in thousands)

ACQUIRER	THRIFTS ACQUIRED	ACQUIRER CONTRIBUTION	FSLIC ASSISTANCE	TOTAL ASSETS OF ACQUIRED ASSOCIATIONS	FSLIC COST AS A PERCENT OF ASSETS
	MONTFORT SA FSA				
	KILLEEN S&LA				
	FIRST TEXAS SA				
PACIFIC USA	CHARTER S&LA	$37,500	$566,203	$854,000	66.30%
	KEYSTONE S&LA				
	BAYVIEW FSA				
	FIRST FS&LA				
	INDEPENDENCE S&LA				
	YOAKUM FS&LA				
	UNION SA (GOLIAD S&LA)				
	SEGUIN SA				
CENTEX CORPORATION	BURNET S&LA	$26,500	$428,770	$322,000	133.16%
	LEE SA				
	RANCHERS SA				
	PEOPLES S&LA				
HYPERION PARTNERS	UNITED SA OF TEXAS	$200,000	$1,372,166	$4,400,000	31.19%
		$1,090,700	$24,559,339	$41,525,100	59.14%
		4.25%	95.75%		

Source: FSLIC Records

ATTACHMENT II

CAPITAL CONTRIBUTIONS AND COSTS OF ACTIONS
UNDER THE SOUTHWEST PLAN
THROUGH NOVEMBER 6, 1988
(Unaudited)
(all figures in thousands)

ACQUIRER	THRIFTS ACQUIRED	ACQUIRER CONTRIBUTION	FSLIC ASSISTANCE	TOTAL ASSETS OF ACQUIRED ASSOCIATIONS	FSLIC COST AS A PERCENT OF ASSETS
COASTAL BANC SA	ALLIANCE S&LA	$3,500	$146,226	$455,800	32.08%
	COLORADO COUNTY FS&LA				
	SECURITY S&LA				
	CAMERON COUNTY SA				
SOUTHWEST SA	LAMAR SA				
	CITY S&LA	$25,000	$1,980,323	$3,998,400	49.53%
	STOCKTON SA				
	BRIERCROFT SA				
MERABANK FSB	BROWNFIELD FS&LA	$28,800	$665,655	$824,000	80.78%
	FIRST FINANCIAL				
	STATE FS&LA OF LUBBOCK				
GIBSON GROUP, INC.	IRVING SA	$48,000	$1,313,780	$2,217,200	59.25%
	LONGVIEW S&LA				
	GLADEWATER FS&LA				
	RICHARDSON S&LA				
	MAJESTIC SA				
	COMMERCE FS&LA				
	PARIS S&LA				
	AMERICAN BANC SA				
	SKYLINE SA				
	BEN MILAM S&LA				
	MERCURY SA				
	SOUTHLAND SA				
SUNBELT SA	SUNBELT SA	$0	$6,166,637	$4,826,300	127.77%
	INDEPENDENT AMERICAN SA				
	SUMMIT SA				
	WESTERN FS&LA				
	TEXANA S&LA				
	FEDERATED S&LA				
	FIRST CITY SA				
	MULTIBANC SA				

ATTACHMENT I

ESTIMATED COSTS OF SOUTHWEST PLAN RESOLUTIONS ACTIONS THROUGH DECEMBER 31, 1988 (Unaudited)

ATTACHMENT I

ACQUIRER	ESTIMATED COSTS OF ASSISTANCE AGREEMENTS (CASH BASIS)	CASH BASIS @					
		CASH	NOTES (PRINCIPAL)	NOTES (INTEREST)	CAPITAL LOSS COVERAGE	YIELD SUBSIDY	OTHER **
COASTAL BANC SA	$237,225	$3,627	$32,639	$35,041	$112,752	$61,870	($8,704)
SOUTHWEST SA	$3,521,024		$569,682	$450,050	$1,738,990	$762,302	
MERABANK FSB	$1,241,227		$187,602	$153,658	$662,206	$257,014	($19,253)
GIBSON GROUP, INC.	$2,379,171		$535,743	$472,633	$752,155	$617,277	$1,363
SUNBELT SA	$11,509,284		$2,459,761	$2,383,834	$4,061,931	$2,603,758	
PULTE DIVERSIFIED CO.	$1,993,689		$511,840	$526,547	$562,961	$429,733	($37,392)
TEMPLE-INLAND	$2,808,221		$710,146	$681,456	$804,641	$700,065	($88,087)
CLUB CORPORATION	$1,620,461		$264.443	$258,962	$538,782	$571,406	($13,132)
ADAM CORPORATION	$2,293,490		$303,408	$283,990	$950,953	$819,216	($64,077)
AMERICITY FSB	$281,661		$21,233	$18,945	$142,163	$108,324	($9,004)
CFSB CORPORATION	$3,377,666		$836,702	$807,083	$946,449	$821,432	($34,000)
UTLEY FORD	$8,908,369		$2,106,126	$1,925,459	$2,743,863	$2,049,848	$83,073
PACIFIC USA HOLDINGS	$986,968		$161,738	$150,370	$365,304	$309,556	
CENTEX CORPORATION	$813,222		$222,900	$246,702	$256,318	$87,597	($295)
HYPERION PARTNERS	$2,200,353		$261,135	$242,805	$946,338	$717,982	$32,093
TOTAL	$44,172,031	$3,627	$9,185,098	$8,637,535	$15,585,806	$10,917,380	($157,415)

** "Other" column includes mark to market adjustments, prepayment penalties on FHLB advances and projected future income from FSLIC ownership interests and return of tax benefits.

@ All figures in thousands.

Source: FSLIC Records

on the validity of management's assertions. We believe such reporting would go a long way toward establishing top management's accountability for operating insured institutions in a safe and sound manner.

Need to establish an independent structure for oversight and regulation

Despite the fact that examiners reported numerous and extensive violations of laws, regulations, and related unsafe practices, thrift regulators were unable to halt the practices which eventually contributed to failures. Officials of the Bank Board's Office of Regulatory Activities stated that breakdowns occurred in the supervisory and regulatory systems, and we concur with that assessment. It should be recognized that current thrift regulators have undertaken numerous steps to help improve oversight of the industry.

Nonetheless, these steps do not address a basic structural flaw in the Bank Board: it has dual and conflicting responsibilities for promoting the thrift industry while at the same time supervising and regulating it. In our draft report on solutions to the thrift industry problems, we recommended that FSLIC be disengaged from the Bank Board and given independent status. Implicit in this independent status would be both the authority and resources to regulate and supervise the industry. The restructuring that will be required under this occur while efforts are being made to determine resolution approaches.

-- Establish a "new" FSLIC for the healthier segment of the industry as an independent agency whose paramount objective would be to ensure the safety and soundness of the thrift industry. It would be capitalized by future industry contributions and, as discussed later, would be responsible for regulating, supervising, examining, and, when necessary, closing insured institutions.

Preventing Future Problems

To help ensure that federally insured financial institutions operate in a prudent and responsible manner, we are considering recommendations to strengthen controls at both banks and thrifts, in addition to establishing an independent FSLIC that would insure, regulate, and supervise the thrift industry.

Strengthening controls at banks and thrifts

Adherence to sound internal controls, management practices, and financial reporting practices is essential to ensure the safety and soundness of the nation's financial institutions. The pervasive nature of internal control weaknesses cited for failed thrifts and banks, however, suggests that management of these losses of insolvent thrifts that will be added to the cost of resolving the crisis.

-- Any federal assistance should be properly recorded and disclosed in the budget because (1) "off-budget" financing is always more expensive than Treasury financing, (2) the public will see through any attempts to disguise the federal government's expenditures, and (3) budget recognition reduces the uncertainty that affects financial markets more than actually recognizing the magnitude of the problem.

-- The solution should not significantly "mortgage" future industry earnings because to do so could lead to another crisis in the near future.

-- The solution should not disrupt other mechanisms that are working reasonably well, such as the banks' deposit insurance system.

-- The solution should not rely on fundamental changes in government policy relating to using funds provided for one purpose for another purpose, such as using FDIC's funds to help pay for the thrift problem. Such actions would violate the trust fund concept, could delay assistance, they and the Bank Board's Office of General Counsel recommend how FSLIC should resolve the thrift's problems (by liquidating it or merging it with another thrift, for example). The Bank Board must approve any recommendation for FSLIC to take over a troubled thrift. Thus, FSLIC itself has no direct authority to take action against a thrift.

The involvement of so many different entities with different roles creates a complex federal regulatory and enforcement framework. We believe it also creates a potential conflict for both the Bank Board and especially the district banks since a majority of their boards of directors are thrift industry executives.

WHAT NEEDS TO BE DONE

Clearly, the Administration and the Congress face two problems which, in our view, are of equal concern. First, they need to contain and resolve the immediate financial crisis of FSLIC. Second, they need to take actions to prevent the types of abuses by financial institutions we have discussed so that a similar situation does not arise in the future.

those powers granted to federally-chartered thrifts. Bank Board officials have indicated that they thought their authority to issue regulations to restrain state-chartered thrifts from engaging in high-risk activities was "questionable." In addition, Bank Board officials have indicated that the National Housing Act of 1934 requires that, before federal regulators can take certain actions against state-chartered thrifts, they must give state authorities time to correct problems at those thrifts.

In our view, any requirement to give state authorities the time to correct problems should not have significantly impeded (and according to the Director of Enforcement, did not significantly impede) the federal regulators. Furthermore, while the Bank Board's authority to regulate state-chartered thrifts may have been viewed as "questionable" as a matter of Bank Board policy, we do not believe that the Bank Board lacked the necessary legal authority under the National Housing Act to promulgate regulations needed to ensure that all thrifts, regardless of their charter, operated in a safe and sound manner. In fact, by 1985, after many thrift failures, the Bank Board introduced its first regulation to restrain the use of broad direct investment authority (in equity securities, real estate, service corporations, operating subsidiaries, and other activities) found at many of the failed thrifts. In doing so, it cited its "longstanding position, supported by legislative history and prior administrative authorized thrift activities included complicated acquisition, development, and construction transactions; other commercial real estate activities; and investments. Examiners were less experienced in evaluating these so-called direct investments than they were in reviewing more traditional activities.

During this critical period of change in the industry, the Bank Board was constrained by the staffing and pay limits imposed by the Office of Management and Budget (OMB) and the Office of Personnel Management (OPM). Examiners were government civil service employees--federal law limited their pay, travel expenses, and benefits. The former Bank Board Chairman stated on more than one occasion that the pay and benefits were not sufficient to attract and retain the examination staff needed.

The former Bank Board Chairman also said that the Bank Board was forced to use its limited resources to handle only "critical situations" rather than to engage in systematic, well-designed examination and supervision. He further stated that this situation, if allowed to continue, could destroy the Bank Board's ability to protect the safety and soundness of the thrift industry.

To alleviate its personnel shortages, the Bank Board, over the objections of OMB, transferred its examination staff to the district banks in July 1985. As district bank employees, the examination staff was not subject to OMB personnel limits and OPM

Information on the timeliness of audit reports was readily available for all 9 of the thrifts in the San Francisco District. Of the 27 reports required to be filed for those 9 thrifts over 3 years, only 2 were filed on time. Information on thrifts within the Dallas District showed that a majority of the audit reports were filed late or were never issued. Overall, the delays ranged from a few days to over a year.

District accountants attributed the delays to the poor books and records of the failed thrifts--auditors could not readily discern the underlying collateral value of loans or the value of real estate projects. Disagreements between auditors and thrift management and some dismissals of auditors by management also caused delays.

FEWER PROBLEMS NOTED AT HEALTHY INSTITUTIONS

During the course of our reviews, we also examined documentation pertaining to healthy thrifts and banks. Our reviews of such institutions indicate that healthy institutions had significantly fewer internal control weaknesses than failed institutions. When such weaknesses did occur, they were generally less severe--more technical violations than fundamental problems. Moreover, management of healthy institutions initiated corrective actions in a timely manner or was responsive to problems regulators recourse. Essentially, the thrifts' return of principal depended on the project being completed and achieving profitability, which was often dependent upon continued inflation.

Deregulation in the early 1980s gave thrifts the authority to pursue these new activities. However, they pursued these transactions in an unsafe manner. A combination of factors--poor underwriting, large amounts of funds, and excessive geographic concentration--coupled with other violations of Bank Board regulations or ignoring guidance proved to be a formula for losses.

One thrift in California lent $40 million to one borrower principally to build condominiums and a shopping center. No feasibility studies were done. Examiners stated that adequate feasibility studies would have shown that the area was already overbuilt with condominiums and shopping facilities before the loans were made. This thrift expects to lose over $10 million on this project.

One thrift had 22 percent of its portfolio in ADC transactions; another had 59 percent. Failed thrifts in Texas concentrated this business in the Dallas and Houston areas. Failed thrifts in other states also invested in Texas projects. This concentration, in part, led to inadequate demand when

This deceptive transaction not only provided adequate net worth to meet regulatory requirements, but was also used to justify bonuses paid by the thrift.

PROBLEMS NOTED ONLY AT THRIFTS

We identified some characteristics at failed thrifts which were not evident at the failed banks. Two types of insider abuse were included: excessive compensation at 17 of the 26 failed thrifts, extravagant expenditures at 5. Other examples are

-- unsafe participation in "ADC" transactions--lending or making investments to acquire land, develop it, and construct some type of office, condominium, apartment complex, or other facility (73 percent of the thrifts);

-- loans to one borrower exceeding the legal limit (88 percent); and

-- inaccurate books and records (85 percent).

Excessive Compensation and Expenditures

Among the cases of excessive compensation, examiners cited one thrift that paid the chairman of its board of directors $326,000 plus a bonus of $500,000 in the same year that the thrift loans to close under terms materially different from those approved by the thrift, and failed to obtain documentation required by the loan commitments issued by the thrift.

Management of Institutions Was Unresponsive to Regulators

Management at the failed thrifts often did not take action to correct problems the regulators identified. Although management of the failed banks was not blatantly unresponsive in correcting problems, its actions were often delayed or inadequate. In contrast, the behavior of some thrift management was astoundingly egregious in ignoring or circumventing regulators.

Thrift management's responses to regulators included ignoring them, appeasing them with promises to correct problems and then not doing so, and actively deceiving the regulators to thwart effective oversight. A thrift sometimes accomplished this last tactic by falsely inflating its net worth to avoid regulatory action. If a thrift's net worth falls below specified levels, the Bank Board can initiate administrative or enforcement actions. Some of the failed thrifts recorded transactions that examiners subsequently concluded were designed to present a better financial picture than actually existed, thereby forestalling supervisory action.

In what examiners described as an attempt to restore net worth to meet its minimum regulatory requirement, one failed

(2) the thrift seek other lenders to finance the construction phase, (3) the thrift receive 25 percent of the total profits generated by the project, (4) a 2-year maturity term, and (5) an interest rate of prime plus 2.5 percent. However, the commitment actually issued to the borrower did not conform to those terms--the loan was for 5 years, had an interest rate ceiling of 16 percent, and did not require any personal guarantee. Although $2 million of the loan proceeds was to be used for land acquisition, the borrower used $1.8 million for other purposes and only $200,000 to purchase the land. Moreover, the borrower did not invest any funds in the project. The thrift expects to incur a loss in excess of $3.5 million on this loan.

In similar loans, examiners noted that borrowers not only had no funds of their own invested in the projects which thrifts funded, but these borrowers also received funds for personal use when the loans were made. In the thrift industry, such arrangements are referred to as "drag loans" because the borrower "drags away" part of the proceeds. Ultimately, of course, much of these funds have been "dragged away" from FSLIC.

Insider Abuse and Fraud

The presence of insider abuse and insider involvement in fraud can create an environment conducive to further abusive practices and indicates the need for stronger internal controls in administering loans. Lending errors frequently result from management failing to obtain and properly evaluate information about the borrower and the project or property involved. Among other weaknesses in loan underwriting and administration, we frequently found appraisal deficiencies and noncompliance with loan terms.

Appraisal deficiencies

Federal regulations requiring thrifts to obtain appraisals for loans secured by real estate were violated by 88 percent of the failed thrifts. For such loans, Bank Board regulations require thrifts to obtain written appraisal reports, which should be prepared specifically for the thrift by an appraiser appointed by the board of directors and be signed by the appraiser prior to loan approval. In addition, the reports should disclose the market value of the collateral and contain sufficient information to substantiate that value.

Examiners found that some appraisal reports accepted by thrifts were not adequately or accurately substantiated, as required. Other times, examiners noted that thrifts did not obtain appraisals at all, or obtained one after they already made a loan. Examiners also often noted that thrifts accepted appraisals prepared at the borrower's request rather than the thrift's request. Under such circumstances, the appraiser may not have been rubber-stamped the deal with its unanimous approval. The company was acquired in 1983; thrift examiners classified the thrift's equity investment in the company as substandard in both 1983 and 1984. By 1985, examiners said fully 70 percent of the thrift's losses were attributable to the acquisition.

Members of the board at another failed thrift said they did not question the business decisions of the former chairman because he owned the federally-insured thrift--they thought he could run his business as he pleased. However, when that thrift failed, it was FSLIC which incurred the loss, estimated to be $1.3 billion.

Over-reliance on Volatile Funding

Eighty-one percent of the failed thrifts and 32 percent of the failed banks in our reviews relied excessively on volatile deposits to generate the funds they loaned or invested. Volatile funding sources are particularly interest-rate sensitive and include large, short-term certificates of deposit (generally $100,000 or more), deposits placed by brokers who received fees from the institutions, or out-of-area funds. Such funds are considered volatile because they are controlled by a few individuals who can, and do, quickly move them to another institution paying a higher rate of interest. At one failed thrift, jumbo deposits represented 96 percent of total deposits. At another, brokered deposits grew from 14 to 86 percent of all deposits in just 1 year.

contrast, the solvent thrifts most often took corrective action when regulators cited them for violations or deficiencies."

In addition, the Bank Board's failure to act on failed thrifts exacerbated the problem. This failure to act can be partly attributed to FSLIC's poor financial condition and to conflicting responsibilities within the Federal Home Loan Bank System. Since 1986, FSLIC has been insolvent and, therefore, has not had the ability to liquidate thrifts.

Further, as both promoters of the thrift industry and regulators of thrift activities, the Bank Board's and district banks' responsibilities have built-in conflicts and their ability to fulfill either role is diminished. Because the Bank Board controls FSLIC, the entity charged with protecting insured deposits, FSLIC cannot initiate enforcement actions against a thrift without the Bank Board's recommendation.

The following are some of the more pervasive internal control weaknesses and other characteristics examiners found at failed thrifts and banks.

Inadequate Board Supervision and Dominance by One or More Individuals

Poor board supervision or the presence of a dominant figure occurred at 73 percent of the thrifts and 63 percent of the banks a breach of their fiduciary duty to operate a financial institution in a safe and sound manner.

Moreover, many identified weaknesses remained uncorrected despite regulators' efforts, primarily through the examination process and related supervisory enforcement actions, to encourage management to remedy these internal control weaknesses. This disregard for safe and sound operating policies and practices is alarming since such weaknesses are related to operations directly within the control of the boards of directors or management of these institutions. Our final reports on failed banks and thrifts will discuss at length the numerous weaknesses we found. Today, I will review only a sample of the more pervasive of those problems. (See attachments VI and VII for lists of the weaknesses that examiners and regulators found at thrifts and banks and the number of institutions in our samples where weaknesses were found.) No one weakness caused an institution to fail. Rather, each institution exhibited a combination of weaknesses that led to its downfall.

Before detailing some of these weaknesses, let me quote from a recent staff draft report on the preliminary results of our review of characteristics of failed thrifts.

"GAO found that extensive and repeated violations of laws and regulations characterized the 26 failed thrifts we reviewed.

will soon be provided to thrift regulators for comment. I would like to provide preliminary observations about our results. First, however, it is important to understand which institutions our reviews encompassed.

For our bank review, we examined documentation which regulators had obtained for the 184 insured banks which were closed in 1987. With regard to thrifts, we selected a sample of 26 institutions which FSLIC either began assisting between January 1, 1985, and September 30, 1987, or anticipated assisting as of September 30, 1987. This sample of thrifts represented 57 percent ($11.4 billion) of the combined actual and estimated loss to FSLIC attributable to the 284 thrifts merged, liquidated, or in FSLIC's problem list caseload as of September 30, 1987. We compared both samples to a group of similar, but solvent, banks and thrifts. Attachments IV and V show the geographic location of the failed institutions.

The names of failed banks and thrifts are made public at the time FDIC or FSLIC takes action. However, some of the institutions included in our reviews are still open, and we are prohibited by law from disclosing the names of open banks we have reviewed. As a matter of long-standing policy, we treat thrifts in the same manner. Further, we have not identified the names of other institutions or individuals in our draft reports or in this testimony because we are sensitive to the effect such disclosure used to forestall regulatory action on problem institutions, needed? Second, does this forbearance constitute the granting of special privileges to the new investors which are not available to others?

In previous testimonies, we characterized the industry as being comprised of two discrete segments--the solvent (good) one, and the insolvent (bad) one. The Bank Board's many, massive transactions at the close of 1988 may have created a third, privileged segment protected from loss by the government and largely shielded from regulatory sanctions. Given that operators of healthy thrifts do not enjoy these same benefits, we are concerned that this new group may enjoy a distinct competitive advantage to the detriment of the healthy portion of the industry.

We are also concerned about perceptions created by a situation involving a thrift in California in which the Bank Board took the unprecedented step of shifting responsibility for examining and supervising the thrift to another district. Regardless of the circumstances or intent involved in this particular case, the Bank Board has sent an unfortunate message to the industry: "If you don't like your current supervisor, we'll find you a new one." In view of the need to strengthen regulation and supervision of this industry, the Bank Board's action is not encouraging.

Therefore, the cost to the federal government would be FSLIC's cost plus the amount of lost tax revenues. However, at this point, it is unclear whether FSLIC estimates the amount of lost tax revenues in evaluating the costs to merge versus the costs to liquidate an institution.

We also have serious reservations about whether these assistance actions will result in permanent solutions or simply prolong the problem and increase its ultimate cost. We have just begun to study the agreements FSLIC executed in the latter part of 1988 and, accordingly, have not reached firm conclusions about them. Nonetheless, our initial inquiries raise four issues, which we will be evaluating:

-- Capital. A goal of FSLIC's resolution strategy was to attract new capital to the industry. However, by acquiring the problem thrifts, investors appear to be expecting future losses which would be used to reduce or eliminate future federal tax payments and which likely more than compensate them for their minimal capital contributions. (See attachment II, which shows the amount of private capital provided in the Southwest Plan deals.)

-- Limited incentives to maximize recoveries on assets. We understand that a large portion of the newly created institutions' assets are covered by agreements which part of the Southwest Plan, because such information is not yet available.

In its July 1988 cash flow projection, FSLIC estimated that it would have only $27 billion available over the 11-year period 1988 through 1998 to pay for insurance losses, after paying $7.6 billion of interest on notes issued after January 1, 1998. Not only does the $44 billion cash basis cost of FSLIC's 1988 Southwest Plan actions exceed the resources FSLIC expects to have available, the $37 billion present value cost of all 1988 actions also exceeds FSLIC's estimate.

Second, our $77 billion estimate is based on what it would cost today to resolve the thrift crisis. Since roughly 350 insolvent S&Ls were still operating at the close of 1988 and continuing to incur operating losses, the cost is likely to be higher. The longer we wait to resolve the problems of these S&Ls, the higher the costs will be.

Third, our $77 billion cost estimate only represents the cost related to presently known insolvent S&Ls and does not include an estimate of the funds needed to establish an adequate insurance fund reserve. In our draft report on solutions to the thrift industry problem, we estimate that FSLIC will need an additional $35 billion over the next 10 years--$5 billion for unanticipated losses, $20 billion to establish an adequate reserve, and

In contrast, the financial conditions of the savings and loan (S&L) industry and FSLIC are dismal and present a problem of far greater magnitude. FSLIC's insurance fund is deeply insolvent, and, therefore, the Bank Board has not closed the hopelessly insolvent thrifts which are adding billions of dollars annually to the cost of resolving the problem. Instead, the Bank Board has "propped up" many of these sick institutions through assisted merger transactions with promissory notes, guarantees and tax breaks to attract acquirers. Instead of the two classes of thrifts we had until recently, the solvent and the insolvent, it now appears we may have added a third group of heavily subsidized and protected institutions who will compete with the solvent institutions and other financial institutions for deposits and business. Much of my testimony today will focus on the massive thrift problem, a problem that we believe could have been largely prevented.

Magnitude of the Thrift Problem

A precise estimate of the eventual cost to resolve the thrift industry's problems cannot presently be made because the cost depends upon various uncertainties, such as the quality of each institution's assets, future interest rates, and the economic outlook for certain sectors of the economy in which many of the troubled institutions have loans and investments. Nonetheless, based on FSLIC's recent resolution actions, we believe that if all