



# Letter to Stakeholders

1st quarter  
2007



This is my first Letter to Stakeholders since becoming Chairman of the FDIC in June 2006. The letter summarizes the FDIC's performance in our high-priority areas – *Depositor Protection, Mission Support, and Resource Management* – during the first quarter of 2007. We will issue a Stakeholders letter each quarter to report on our activities and progress. I believe that open, candid communication with the banks we supervise, Congress, the media and other interested parties is crucial. I look forward to sharing future Stakeholders letters with you on our activities. For more information about the FDIC, please visit our Web site at [www.fdic.gov](http://www.fdic.gov).

*Sheila C. Bair*  
Sheila C. Bair  
Chairman



## Our Priorities

### Depositor Protection

- FDIC will make deposit insurance assessment invoices for the first quarter 2007 available by June 15, 2007. Assessment rates for most institutions will vary between 5 and 7 basis points annually. Many institutions will have enough assessment credits to offset all of their deposit insurance bills for 2007. More information is available at <http://www.fdic.gov/deposit/insurance/initiative/index.html>.
- FDIC issued, along with other federal banking agencies, a proposed Statement on Subprime Lending to clarify the agencies' expectations on underwriting and marketing subprime mortgage products, especially subprime hybrid ARMS. FDIC testified before Congress twice about problems in the subprime mortgage market, our regulatory response, and possible solutions.
- The Board extended a moratorium on deposit insurance applications and change-in-control notices for industrial banks that would be controlled by non-financial companies. The Board issued a proposed rule to enhance transparency and controls for industrial banks that become subsidiaries of financial companies that are not subject to consolidated federal bank supervision. The Board's goal is to better enable the FDIC to assess a parent company's ongoing ability to serve as a source of strength for the industrial bank and to respond to any developing risks.
- FDIC issued a special edition of *FDIC Consumer News - "Be Prepared, Be Informed, Be in Charge"* – with simple strategies for managing money, to coincide with National Consumer Protection Week, observed February 4-10, 2007.
- The FDIC's *Quarterly Banking Profile* stated that the industry reported net income of \$145.7 billion in 2006, eclipsing the 2005 net income of \$133.9 billion. This is the sixth consecutive year of record earnings.
- FDIC was appointed receiver of Metropolitan Savings Bank, Pittsburgh, Pennsylvania, on February 2, 2007. Metropolitan Savings is the first FDIC-insured institution failure since June 25, 2004.

### Mission Support

- FDIC announced, along with other federal banking agencies, the launch of an improved website to access banks' quarterly Call Report data. The data are available faster and in multiple formats through the Central Data Repository (CDR) at <https://cdr.ffiec.gov/public>.
- FDIC announced, along with other federal banking agencies, proposed supervisory guidance documents related to the September 2006 proposed rule on new risk-based capital requirements in the United States for large internationally active banking organizations. The agencies are seeking public comment on the proposal.
- FDIC outlined a proposal before the FDIC Advisory Committee on Economic Inclusion to create a two-year pilot project for banks to establish Affordable Small-Dollar Lending programs to serve the unbanked and underserved population.

### Resource Management

- FDIC issued its 2006 Annual Report on February 15, 2007. The Government Accountability Office completed a financial statement audit of the Deposit Insurance Fund and the FSLIC Resolution Fund, and issued its 15th consecutive unqualified opinion.
- FDIC Vice Chairman Martin Gruenberg was selected to chair the International Association of Deposit Insurers Training and Conference Committee.
- Sara A. Kelsey was appointed as FDIC's General Counsel in January. She was formerly Deputy Superintendent and General Counsel of the New York State Banking Department.

## Our Key Indices *Most Current Data* ▼

### Insurance

Updated Quarterly YTD (\$ billions)	Q4 2001	Q4 2002	Q4 2003	Q4 2004	Q4 2005	Q4 2006
# Insured Inst.	9,631	9,372	9,196	8,988	8,845	8,693
\$ Insured Inst.	\$ 7,878	\$ 8,446	\$ 9,086	\$ 10,115	\$ 10,888	\$ 11,877
Insured Deposits	\$ 3,211	\$ 3,384	\$ 3,453	\$ 3,622	\$ 3,891	\$ 4,153
Fund Balances	\$ 41.4	\$ 43.8	\$ 46.0	\$ 47.5	\$ 48.6	\$ 50.2
Reserve Ratios	% 1.29	% 1.29	% 1.33	% 1.31	% 1.25	% 1.21
# Problem Inst.	114	136	116	80	52	50
\$ Problem Inst.	\$ 39.8	\$ 38.9	\$ 29.9	\$ 28.3	\$ 6.6	\$ 8.3

### Supervision

YTD	3/31/2006	3/31/2007
Total Number of FDIC Supervised Institutions	5,243	5,226
Bank Examinations:		
Safety and Soundness	616	594
Compliance and CRA	537	464
Insurance and Other Applications Approved	788	719
Formal and Informal Enforcement Actions	93	81

### Receiverships

#### Deposit Insurance Fund

YTD (\$ millions)	Q4 2005	Q4 2006	% Change	Q1 2006	Q1 2007	% Change
Total Receiverships	27	25	-7%	26	24	-8%
Assets in Liquidation	\$ 386	\$ 317	-18%	\$ 378	\$ 331	-12%
Collections Paid	\$ 325	\$ 146	-55%	\$ 18	\$ 27	50%
Dividends Paid	\$ 369	\$ 144	-61%	\$ 89	\$ 126	42%

### Income

#### Deposit Insurance Fund

YTD (\$ millions)	Q4 2005	Q4 2006	% Change	Q1 2006	Q1 2007	% Change
Assessment Income	\$ 61	\$ 32	-48%	\$ 5	\$ 94	1780%
Interest	\$ 2,342	\$ 2,241	-4%	\$ 478	\$ 567	19%
Comprehensive Income	\$ 1,090	\$ 1,569	44%	\$ 596	\$ 580	-3%

### Resources

(\$ millions)	Budget / Expenditures				On Board Staff	
	Total	Ongoing Operations	Recvrship Funding	Major Investment Funding	Q1 2007	Target Y/E 2007
Annual Budget	\$ 1,127	\$ 1,033	\$ 75	\$ 19	4,457	4,723
YTD Expended	\$ 233	\$ 227	\$ 2	\$ 4		

▼ Financial data is unaudited