FEDERAL DEPOSIT INSURANCE CORPORATION

FDIC Strategic Plan

2008 – 2013

TABLE OF CONTENTS

CHAIRMAN'S MESSAGE

I am pleased to present the *FDIC Strategic Plan, 2008 – 2013*, which was approved by the Board of Directors on October 7, 2008. The plan has been updated in accordance with the requirements of the Government Performance and Results Act and supersedes the *FDIC Strategic Plan, 2005 – 2010*, which was approved in 2005.

The plan sets forth the FDIC's long-term strategic goals and objectives for carrying out its core mission responsibilities for insuring depositors, supervising insured institutions, and resolving the failure of insured institutions. It describes the means and strategies that will be employed in pursuit of these goals and objectives and identifies factors outside the FDIC's control that could potentially affect their achievement. The Corporation pursues these goals and objectives through annual performance goals that are established each year and published in the Corporation's Annual Performance Plans. The Corporation reports on its performance against the annual performance goals in its Annual Reports.

The FDIC is celebrating its 75th anniversary this year. The current turmoil in the financial services sector reminds us that the Corporation's role in protecting depositors and maintaining public confidence in our financial system is as relevant today as it was when President Franklin D. Roosevelt signed into law the statute that established the FDIC in June 1933. The Corporation's status as an independent agency has allowed it to ensure that no depositor has ever lost a penny of insured deposits. The FDIC will continue to ensure that no depositor ever will.

Sheila C. Bair
Chairman

MISSION, VISION, AND VALUES

MISSION

The Federal Deposit Insurance Corporation (FDIC) is an independent agency created by the Congress to maintain stability and public confidence in the nation's financial system by:

- insuring deposits;
- examining and supervising financial institutions for safety and soundness and consumer protection; and
- managing receiverships.

VISION

The FDIC is a recognized leader in promoting sound public policies, addressing risks in the nation's financial system, and carrying out its insurance, supervisory, consumer protection, and receivership management responsibilities.

VALUES

The FDIC and its employees have a tradition of distinguished public service. Six core values guide us in accomplishing our mission:

Integrity	We adhere to the highest ethical and professional standards.
Competence	We are a highly skilled, dedicated, and diverse workforce that is empowered to achieve outstanding results.
Teamwork	We communicate and collaborate effectively with one another and with other regulatory agencies.
Effectiveness	We respond quickly and successfully to risks in insured depository institutions and the financial system.
Financial Responsibility	We operate efficiently and effectively on behalf of all of our stakeholders.
Fairness	We respect individual viewpoints and treat one another and our stakeholders with impartiality, dignity, and trust.

THE FDIC AND THE BANKING INDUSTRY: PERSPECTIVE AND OUTLOOK

■ Introduction

Congress created the FDIC in the Banking Act of 1933 to maintain stability and public confidence in the nation's banking system. The statute provided a Federal government guarantee of deposits in U.S. depository institutions so that depositors' funds, within certain limits, would be safe and available to them in the event of a financial institution failure. In addition to its role as insurer, the FDIC is the primary federal regulator of Federally-insured state-chartered banks that are not members of the Federal Reserve System.

The FDIC carries out its mission through three major programs: insurance, supervision, and receivership management.

- The Insurance Program encompasses the activities undertaken by the Corporation to administer the Deposit Insurance Fund (DIF), which is funded through assessments on insured institutions as well as investment income, and to provide depositors with access to their insured funds when an insured institution fails.

- The Supervision Program encompasses the activities undertaken by the Corporation to promote safe and sound operations and compliance with fair lending, consumer protection, and other applicable statutes and regulations by insured institutions for which the FDIC is the primary Federal regulator (in cooperation with state banking agencies). The FDIC also has back-up supervisory responsibility for other insured institutions for which the Board of Governors of the Federal Reserve System (FRB), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS) are the primary Federal regulators.

Primary Federal Supervisor	Number of Institutions	Total Assets (dollars in millions)*
FDIC	5,163	$2,258,527
OCC	1,585	7,924,173
FRB	874	1,550,883
OTS	829	1,567,216
TOTAL	8,451	$13,300,800

*Total does not add due to rounding.
Source: Second Quarter 2008 Quarterly Banking Profile. Data are as of 6/30/2008

- The Receivership Management Program encompasses activities undertaken by the Corporation in its capacity as receiver to resolve failed institutions in the least costly manner to the DIF and to maximize net recoveries to the creditors of receiverships.

Over the next six years, the FDIC will confront numerous issues and challenges in each of these major programs due to changing economic conditions, continuing changes in the nature of the financial services industry, expected changes in financial services regulation, and emerging consumer protection issues that impact the financial services industry. Some of the major issues and challenges are addressed in more detail below.

■ The Impact of the Economy

The performance of the economy at national and regional levels directly affects the business strategies of individual financial institutions and may affect the industry's overall performance. Lending and funding strategies of insured depository institutions are influenced by interest rates, inflation, unemployment, and changes in the business cycle for sectors such as agriculture, mortgage lending, commercial real estate, and energy.

Since mid-2007, a deep and prolonged housing market downturn in many areas of the U.S. has coincided with significant disruptions to credit markets to create a much more challenging operating environment for FDIC-insured institutions. The industry has experienced sharply higher credit losses in mortgage and construction lending and large write downs in other mortgage related assets. Institutions that were highly dependent on market-based sources of funding have had to adjust their business models. The historic scale and scope of these credit market disruptions implies that their effects will continue to be felt for some time to come.

In this more restrictive credit environment, U.S. economic activity slowed markedly in late 2007 and early 2008. Residential construction continued to weaken as nonprime mortgage credit became less available, and growth in consumer and business spending also slowed. Economic activity in the industrial Midwest continued to lag the nation, while regional economies in and around Florida and California showed significant adverse effects from the housing market distress. The U.S. economy as a whole lost payroll jobs in each of the first six months of 2008, and inflationary pressures rose as oil prices spiked to record highs. This poor U.S. economic performance has led policymakers to implement both monetary and fiscal stimulus measures that have helped prevent real economic activity from shrinking outright.

The economic and credit market stresses of the past year have shown that some depository institutions took on riskier activities during this decade in response to competitive pressures within the industry and with non-bank lenders. Many institutions that were actively involved in subprime and nontraditional mortgage lending, or the financing of residential construction projects, have already experienced significant losses in recent quarters, and some have failed. Institutions that have significant concentrations of certain other loan products, such as credit card loans or commercial real estate loans, also could find themselves more vulnerable to losses in the event of a more serious economic downturn. Many institutions, especially larger institutions, have also become more reliant on various forms of non-interest income, such as trading income and gains on asset sales, which can be more volatile than traditional revenue sources.

The combination of a downturn in U.S. economic performance, ongoing disruptions in credit markets and large increases in bank and thrift credit losses make for a cautious outlook for the financial performance of FDIC-insured institutions through 2009. These market disruptions could, in the longer term, work to the advantage of banks' ability to access deposits since they are heavily regulated compared to non-bank service providers. However, it appears unlikely that the record industry earnings of recent years will soon be matched, and higher levels of both problem institutions and failed institutions can be expected. These uncertainties will ultimately be resolved over time with the recognition of losses, an improvement in credit practices, and the re-pricing of risk in the financial markets. In the meantime, there remains a potential for additional financial market disruptions which could result in further adverse consequences for FDIC-insured institutions. This situation highlights the need for both the Corporation and other regulators to identify and manage the risks posed by new and existing financial products.

■ **Challenges Facing the FDIC**

In addition to the challenges posed by the economy, the FDIC also expects to face challenges from other sources, including:

- Industry consolidation and the increasing concentration of industry assets in a small number of large, complex institutions for which the Corporation is not, for the most part, the primary Federal supervisor. Primary and back-up supervision of large complex financial institutions will require increasingly specialized examination staff capable of understanding complex financial instruments and assessing their risk. The potential for the failure of large complex financial institutions could require highly specialized resolution strategies.

- Increasing globalization and interdependence, which heighten the potential for financial and economic instability to transcend geographic boundaries.

- Implementation of the Basel Committee on Bank Supervision's new international capital standards.

- The FDIC's expanded and strengthened international leadership role as the result of its more active participation in the International Association of Deposit Insurers.

- A critical need for reform measures to provide more uniform and equal consumer and prudential standards between depository institutions and other financial institutions. However, as Congress considers reforms in the existing Federal financial regulatory structure, any changes must preserve key elements of the current regulatory structure that have made the FDIC a model for other countries. These include the FDIC's status as an independent agency with its own governance structure and source of funding; its authority to address identified risks in the banking system through establishment of a risk-based premium system and its special examination authority for all insured institutions; and its role as a primary regulator for state-chartered institutions under a dual banking system. The FDIC will be prepared to take on new responsibilities, as necessary, that build on its strong record of accomplishments over the past 75 years.

- Continued progress on "culture change" initiatives, including development of an enhanced performance-based compensation system, will impact our ability to attract and retain a highly-skilled, engaged workforce.

The FDIC also expects to continue its tradition of strong consumer protection over the next six years, by:

- Maintaining a rigorous and responsive consumer protection supervisory program that both complements and informs the Corporation's risk management supervision program regarding emerging risks.

- Advocating broader economic inclusion within the nation's banking system through small-dollar loan programs, access to mortgage credit for low- and moderate-income borrowers, and products that promote wealth accumulation and other services responsive to the needs of underserved populations.

- Promoting consumer education on topics such as insurance coverage, identify theft, and privacy, as well as expanding the FDIC's award winning *Money Smart* curriculum.

THE FDIC'S MAJOR PROGRAMS

The FDIC has three major program areas or lines of business. The Corporation's strategic goals for each of these programs are presented in the diagram below**.**

Program Areas	**Strategic Goals**
Insurance	Insured depositors are protected from loss without recourse to taxpayer funding.
Supervision	FDIC-insured institutions are safe and sound.
	Consumers' rights are protected and FDIC-supervised institutions invest in their communities.
Receivership Management	Resolutions are orderly and receiverships are managed effectively.

Insurance Program

- **Program Description**

Deposit insurance is a fundamental component of the FDIC's commitment to maintain stability and public confidence in the U.S. financial system. By promoting industry and consumer awareness of deposit insurance, the FDIC protects depositors at banks and savings associations of all sizes. When insured depository institutions fail, the FDIC ensures that the financial institution's customers have timely access to their insured deposits and other services. To keep pace with the evolving banking industry and maintain its readiness to protect insured depositors, the FDIC prepares and maintains contingency plans to promptly address a variety of insured depository institution failures and conducts large scale simulations to test its plans.

The Federal Deposit Insurance Reform Act of 2005 removed statutory constraints on the FDIC's ability to charge institutions for deposit insurance according to the risk they pose to the insurance fund. The FDIC can now manage the reserve ratio (the ratio of the DIF to estimated insured deposits) within a range between 1.15 and 1.50 percent, thus providing more flexibility for the fund to grow under favorable economic conditions and decline under adverse conditions. The Reform Act also implemented an indexing mechanism to ensure that coverage levels keep pace with inflation beginning in January 2011.

STRATEGIC GOAL 1

Insured depositors are protected from loss without recourse to taxpayer funding.

Strategic Objectives

1.1 Customers of failed insured depository institutions have timely access to insured funds and financial services.

1.2 The FDIC promptly identifies and responds to potential risks to the Deposit Insurance Fund.

1.3 The Deposit Insurance Fund and system remain strong and adequately-financed.

1.4 The FDIC resolves the failure of insured depository institutions in the manner least-costly to the Deposit Insurance Fund.

1.5 The public and FDIC-insured depository institutions have access to accurate and easily understood information about federal deposit insurance coverage.

The means and strategies used to achieve these strategic objectives and the external factors that could impact their achievement are described below.

1.1 Customers of failed insured depository institutions have timely access to insured funds and financial services.

Means & Strategies: When an institution fails, the FDIC facilitates the transfer of the institution's insured deposits to an assuming institution or pays insured depositors directly. The FDIC's goal is to provide customers with access to their insured deposits within one to two business days. The software used to support deposit insurance determinations at bank closings is currently being updated to ensure the FDIC can make quick and accurate claims determinations regardless of the size of the failed institution.

The FDIC continually monitors changes in financial institution operations and products to ensure its ability to handle potential financial institution failures. The FDIC develops, tests and maintains contingency plans to ensure it is prepared to handle a wide range of potential failure scenarios, including the failure of a large financial institution; simultaneous, multiple failures; the failure of an institution with large international holdings; and the failure of an insured institution that operates primarily through the Internet.

External Factors: The goal of providing customers of failed institutions with access to their insured deposits within one to two business days is very aggressive and might be difficult to achieve in the case of an extremely large or complex institution or a sudden and unexpected failure. However, even if it took somewhat longer to complete all deposit insurance determinations, no depositor would ultimately lose any portion of an insured deposit.

1.2 The FDIC promptly identifies and responds to potential risks to the Deposit Insurance Fund.

Means & Strategies: The FDIC, in cooperation with the other primary federal regulators, proactively identifies and evaluates the risk and financial condition of individual insured depository institutions. It also identifies broader economic and financial risk factors that affect all insured institutions. It accomplishes these objectives through a wide variety of activities:

- A risk-based deposit insurance assessment system whereby institutions that pose greater risk to the insurance fund pay higher premiums. The FDIC intends to incorporate additional risk measures within the next year.
- A strong examination and enforcement program.
- Collection and publication of detailed banking data and statistics.
- A vigorous research program.
- Off-site risk analysis to target individual institutions for examination or other follow-up activities, focus the scope of an examination or assist in setting risk-based premiums for an institution.
- The Large Insured Depository Institution (LIDI) Program, which includes a comprehensive analysis of the risks in all large financial institutions (those with more than $10 billion in assets) on an ongoing basis.
- Thorough review of applications for deposit insurance.

External Factors: In spite of the comprehensive efforts undertaken by the FDIC to identify and respond to potential risks to the DIF, natural disasters, public policy changes, and sudden economic or financial market crises could cause broad losses within the financial services industry and the DIF. In addition, a fraud perpetrated on a financial institution could result in a sudden and unforeseen loss to the DIF.

1.3 The Deposit Insurance Fund and system remain strong and adequately financed.

Means & Strategies: The FDIC's continued status as an independent agency is crucial to its ability to objectively assess risks and set appropriate assessment rates. The FDIC maintains the viability of the DIF by investing the fund, monitoring and responding to changes in the reserve ratio, collecting risk-based premiums, and evaluating the deposit insurance system in light of an evolving financial services industry. It analyzes on an ongoing basis the growth or shrinkage of estimated insured deposits, the current assessment base, loss expectations, interest income earned on the fund, and operating expenses. This information is used to develop a schedule of risk-based assessment rates.

By law, the DIF must maintain a reserve ratio between 1.15 and 1.50 percent. The FDIC board of directors must establish a designated reserve ratio within that range and sets assessment rates to meet that target within a time frame that the board deems appropriate. If the reserve ratio falls below 1.15 percent, the board is required to establish a restoration plan to bring the reserve ratio back to 1.15 percent within five years.

External Factors: As discussed above, loss of independence could pose a risk to the agency and to the fund. In addition, industry consolidation presents benefits and risks to the DIF. While the risk to the fund is diminished because of the diversification benefits of consolidation (along geographic and product lines), the concentration of deposits in fewer insured depository institutions increases the risks to the fund in the event a large insured depository institution fails.

1.4 The FDIC resolves the failure of insured depository institutions in the manner least-costly to the Deposit Insurance Fund.

Means & Strategies: When an institution fails, the FDIC facilitates an orderly least-cost resolution.[1] Using an estimated value of the failing institution's assets and liabilities, the FDIC markets the institution to potential bidders. After analyzing the bids received, the FDIC conducts a least-cost test determination and selects the least-cost strategy to pursue.

External Factors: In accordance with law, if a failure threatens serious adverse systemic effects on economic conditions or financial stability, resolution strategies other than the least-cost resolution may be employed.

1.5 The public and FDIC-insured depository institutions have access to accurate and easily understood information about federal deposit insurance coverage.

Means & Strategies: To inform consumers and FDIC-insured institutions about federal deposit insurance coverage, the FDIC provides financial institutions with a variety of educational tools and materials that are designed to help customers understand their deposit insurance coverage. In addition, the FDIC employs a variety of other approaches to disseminate information on deposit insurance coverage:

- Operation of a toll-free call center[2] staffed by specialists who respond to questions from depositors and bankers.
- Training and other educational opportunities to help bank employees better understand the FDIC's deposit insurance rules.
- An array of web-based educational resources for consumers and bankers.
- A wide range of publications and videos explaining how FDIC deposit insurance works.

In 2008, in conjunction with the celebration of its 75th anniversary, the FDIC initiated a comprehensive nationwide campaign to raise public awareness about the successful history of the deposit insurance program through regional educational events, print advertisements, and the release of new, easy-to-read brochures on deposit insurance coverage.

External Factors: A significant rise in the volume of bank failures or publicity that raises public concerns about the possibility of significant bank failures could result in bank runs by misinformed depositors or public avoidance of an insured depository institution.

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[1]In resolving a failing institution, the FDIC calculates the estimated cost of various resolution options and selects the option resulting in the lowest total estimated cost to the DIF.
[2]877-ASK-FDIC (877-275-3342); 800-925-4618 (TDD-for hearing impaired)

Timely, accurate and understandable information is essential to alleviating these risks. An increased volume of bank failures and public concern about the possibility of additional failures could also result in substantial increases in demand for information about FDIC insurance coverage that could temporarily exceed the FDIC's capacity to provide such information. In such cases, the FDIC would augment staff resources for this function as quickly as possible.

Supervision Program

- **Program Description**

Although the FDIC is the insurer for all insured depository institutions in the U.S., it is the primary federal supervisor only for state non-member banks.[3] Nonetheless, the FDIC's roles as an insurer and primary supervisor are complementary, and many activities undertaken by the FDIC support both the insurance and supervision programs. Through review of examination reports, off-site monitoring tools, participation in examinations conducted by other federal regulators, and where appropriate, special (backup) examination activities, the FDIC regularly monitors the potential risks at all insured institutions, including those for which it is not the primary federal supervisor. The FDIC also takes into account supervisory considerations in the exercise of its authority to review and approve applications for deposit insurance from new institutions, regardless of the chartering authority.

The FDIC pursues two strategic goals in fulfilling its supervisory responsibilities as the primary federal supervisor for state non-member banks:

- FDIC-insured institutions are safe and sound, and
- Consumers' rights are protected and FDIC-supervised institutions invest in their communities.

The FDIC promotes safe and sound financial institution practices through regular risk management examinations, publication of guidance and policy, ongoing communication with industry officials, and the review of applications submitted by FDIC-supervised institutions to expand their activities or locations. When appropriate, the FDIC has a range of informal and formal enforcement options available to resolve safety and soundness problems identified at these institutions. The FDIC also has staff dedicated to offsite monitoring programs and enhancing the Corporation's ability to identify emerging safety-and-soundness issues in a timely manner.

The FDIC also promotes institution compliance with consumer protection, fair lending, and community reinvestment laws through a variety of activities, including regular compliance and Community Reinvestment Act (CRA) examinations, the dissemination of information to consumers about their rights and required disclosures, and the investigation and resolution of consumer complaints regarding FDIC-supervised institutions. The FDIC also has a range of informal and formal enforcement options available to resolve compliance problems identified at these institutions.

[3] As of 6/30/08, the FDIC had primary supervisory responsibility for 5,163 FDIC-insured state-chartered commercial banks that are not members of the Federal Reserve System and state-chartered savings banks.

Supervision Program – Risk Management

STRATEGIC GOAL 2

FDIC-insured institutions are safe and sound**.**

Strategic Objective

2.1 The FDIC exercises its statutory authority, in cooperation with other primary federal regulators and state agencies, to ensure that all FDIC-insured institutions appropriately manage risk.

Means & Strategies: As noted above, the FDIC is the primary federal supervisor for all state non-member banks. For those institutions and their technology service providers, the FDIC performs risk management (safety and soundness), trust, Bank Secrecy Act (BSA)/Anti-Money Laundering (AML), and information technology examinations in cooperation with their state banking regulators (the majority of state banking agencies participate in an examination program under which certain examinations are performed on an alternating basis by the state agency and the FDIC). Risk management examinations are conducted in accordance with statutorily-established time frames and assess an institution's overall financial condition, management practices and policies, compliance with applicable laws and regulations, and the adequacy of management and internal control systems to identify, measure and control risks. Examination procedures may also disclose the presence of fraud or insider abuse. In addition, the FDIC reviews the risk management capabilities of those FDIC-supervised institutions that apply for permission to engage in new or expanded business activities.

Communication and corrective action are important components of the FDIC's strategy for ensuring the safety and soundness of the institutions it supervises. Risks identified during an examination are discussed with the institution's management and board of directors. If an examination reveals serious weaknesses in the operations of the institution or indicates that the institution is operating in a weakened financial condition, the FDIC may issue formal or informal enforcement actions that remain in effect until corrective actions are taken and the identified weaknesses are addressed. In the case of severe problems, the institution may be instructed to seek additional capital or merge with another institution.

The FDIC's statutory authority also gives it a degree of supervisory responsibility, in its role as insurer, for insured depository institutions for which it is *not* the primary federal supervisor. The Corporation has staff in each of its regional offices that regularly review examination reports from primary federal regulators and other available information on those institutions. The FDIC also performs off-site monitoring of those institutions on an ongoing basis, particularly for institutions with more than $10 billion in assets. In addition, at the invitation of the primary federal supervisor, FDIC examiners may participate in examinations of such institutions. When deemed necessary, the FDIC also has the authority to undertake special (backup) examination activities for institutions for which it is not the primary federal supervisor.

Ensuring the safety and soundness of FDIC-insured institutions over the next six years will require an effective supervisory response to current economic and market turmoil, and alertness to potential new issues that may lie ahead. The FDIC is currently devoting a relatively greater share of risk-management examination resources to geographic areas, loan types and specific banks perceived to be of higher risk. The supervisory response includes staffing initiatives described below under "External Factors." The FDIC also has staff dedicated to the identification of emerging issues. In this regard, strategies include enhancing tools to glean supervisory information from the thousands of examinations conducted annually, as well as from a variety of external data sources.

Because an important part of the risk to the DIF comes from exposures to large and complex banks, the Corporation continues to enhance its supervisory monitoring program for these institutions. The FDIC will continue to add staff resources that have the advanced knowledge and skills necessary to analyze the operations of these banks and associated risks. The Corporation will also pursue strategies to develop and retain existing personnel with those skills.

External Factors: There are a number of factors outside of the control of the FDIC that could affect the successful achievement of this strategic objective. In accordance with statutorily-established time frames, most risk management examinations of well-capitalized and well-managed state non-member institutions are point-in-time examinations that occur at 18-month intervals. Between examinations, institutions may enter new lines of business, extend their lending programs into riskier areas, or implement new technologies without the knowledge of the FDIC or state regulatory agencies. Major changes in economic conditions also can impact institutions between examinations. The FDIC will continue to improve offsite monitoring tools to monitor institutions on a continuing basis between examinations.

Examinations of an increasing number of troubled institutions require more time and resources. It is difficult to add experienced examiner resources to the workforce quickly because of the multi-year time frame required to train a new examiner. During the 18 months ending June 30, 2008, the FDIC hired 235 new examiner trainees to address a shortfall in examiner resources. The FDIC also is hiring mid-career professionals and, on a temporary basis, retired examiners and loan review specialists, to help address the workload associated with the increase in the number of troubled insured institutions.

Under the alternating examination program, certain examinations are conducted in alternating periods by the state supervisory authority. Resource constraints outside of the FDIC's control sometimes affect the timely completion of examinations by these state authorities. In such cases, the FDIC will conduct the examination itself within a reasonable time frame after the originally scheduled examination date if the state agency is unable to do so.

Supervision Program – Compliance and Consumer Affairs

STRATEGIC GOAL 3

Consumers' rights are protected and FDIC-supervised institutions invest in their communities.

Strategic Objectives

3.1 FDIC-supervised institutions comply with consumer protection, CRA and fair lending laws and do not engage in unfair or deceptive practices.

3.2 Consumers have access to accurate and easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws.

3.3 The public has fair access to banking services and is treated equitably by FDIC-supervised institutions.

The means and strategies used to achieve these strategic objectives and the external factors that could impact their achievement are described below.

3.1 FDIC-supervised institutions comply with consumer protection, CRA and fair lending laws and do not engage in unfair or deceptive practices.

Means & Strategies: The FDIC pursues this strategic objective primarily through compliance and CRA examinations of all FDIC-supervised institutions. CRA examinations are subject to statutory timelines while compliance examinations are conducted in accordance with time frames established by FDIC policy. These examinations evaluate the compliance of institutions with consumer protection, privacy, CRA, and fair lending laws and regulations. They also seek to identify unfair or deceptive practices that violate consumer protection laws. Over the past three years, the FDIC has substantially increased the number of compliance examiners in its workforce and has delivered advanced compliance training to most commissioned compliance examiners in an effort to enhance the quality and effectiveness of its compliance examination program.

As with risk management examinations, if an examination reveals serious violations, the FDIC may take either formal or informal enforcement actions to correct the identified violations. In extreme cases, non-compliance with consumer laws may seriously damage the institution's reputation and could result in civil monetary liability. In addition, when the FDIC finds a "pattern or practice" of violations of fair lending laws at an institution, the matter is referred to the Department of Justice. An institution's failure to comply with consumer protection, CRA, and fair lending laws and regulations might also impact the application of an FDIC-supervised institution seeking to engage in new or expanded business activities.

For institutions that are Home Mortgage Disclosure Act (HMDA) data reporters, the FDIC reviews the pricing information submitted by the institution to determine whether any pricing disparities exist for minorities or females in one or more product areas. In instances where such a pricing disparity is identified, the FDIC will conduct a full fair lending review of the institution to determine if the disparity represented unlawful discrimination or was attributable to non-discriminatory factors.

The FDIC also has staff that is dedicated to the identification and analysis of emerging consumer protection issues related to marketing activities and new industry products, services, and practices. The FDIC participates actively in interagency policy development efforts to identify and address unfair and deceptive acts and practices through the issuance of policy guidance to examiners and the industry.

Finally, the FDIC sponsors or participates in numerous outreach and technical assistance activities that are designed to facilitate better understanding of and compliance with CRA, consumer protection, and fair lending laws and regulations by FDIC-supervised institutions.

External Factors: The current economic and market turmoil has increased the demands on the FDIC workforce in the areas of risk-management examinations and receivership-related activity. In some cases, compliance or CRA examiners with relevant expertise may be called on to assist with this additional workload. Moreover, the wave of foreclosures and the decline in housing prices that is underway is generally attributed in part to a multi-year period of unsound or irresponsible lending practices and deficiencies in certain areas of regulation. Implementing new mortgage lending regulations, and possibly other new regulations, will be an additional responsibility for the compliance examination program. The FDIC manages these workload challenges through its hiring strategies and by prioritizing examination resources on areas of highest potential risk for violations of law or potential harm to consumers.

3.2 Consumers have access to accurate and easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws.

Means & Strategies: The FDIC provides information about consumer protection and fair lending laws and regulations to help consumers understand their rights. This information is disseminated through brochures and other media, including the FDIC's website (www.fdic.gov). In addition, the FDIC frequently conducts or participates in focus groups, educational seminars, and conferences on consumer protection and fair lending issues in an effort to help both consumers and insured institutions better understand consumer protection, CRA, and fair lending laws and regulations.

The FDIC maintains a toll-free call center for consumer complaints and inquiries about FDIC-supervised institutions and has established target time frames for investigating and responding to these complaints. It is also a leader in promoting greater financial literacy, primarily through its award winning *Money Smart* curriculum. The Corporation will continue to expand its outreach with this product over the next several years by adapting the basic curriculum to additional target audiences.

External Factors: The current economic and market turbulence has increased the number of troubled and failing banks. While the rate of mortgage foreclosures, other forms of credit distress, and problem and failing banks remain elevated, a substantial increase in the number of consumer complaints and inquiries could temporarily challenge the FDIC's capacity to respond within targeted time frames. In such cases, the FDIC would augment its staff resources for this function as quickly as possible.

3.3 The public has fair access to banking services and is treated equitably by FDIC-supervised institutions.

Means and Strategies: The FDIC has played a national leadership role in recent years in promoting broader economic inclusion within the nation's banking system. In pursuit of this objective, the FDIC sponsors or participates in targeted outreach and technical assistance activities with both the institutions it supervises and various community-based organizations. These efforts are designed to encourage financial institutions to develop programs to serve those segments of the population that are currently unbanked or underserved by mainstream financial institutions. The FDIC is completing its first biennial survey of insured depository institutions and underserved consumers to identify obstacles to banking services and ways to overcome them. The FDIC also established an Alliance for Economic Inclusion in 11 cities across the country, comprised of more than 800 banks, community organizations, public officials and others to identify products and services and marketing strategies to reach into the underserved market. In addition, the FDIC is sponsoring a two-year pilot program, to be completed in 2010, to assess the feasibility of various small-dollar loan programs to provide affordable loans to those who have not traditionally participated in the banking system. Other FDIC outreach and technical assistance initiatives are designed to help develop and implement effective foreclosure prevention strategies, such as a national partnership with NeighborWorks America. These initiatives will facilitate neighborhood revitalization through affordable housing, small business development, and related initiatives.

External Factors: During this period in which many financial institutions are experiencing losses and reassessing their exposure to credit risk, the overall supply of credit could diminish. If institutions were to make credit decisions in these more challenging times based on prohibited factors, there could be a risk of loss of access to credit or other banking services by underbanked segments of the population.

Receivership Management Program

- **Program Description**

When an insured institution fails, the FDIC is ordinarily appointed as receiver. In that capacity, it assumes responsibility for efficiently recovering the maximum amount possible from the disposition of the receivership's assets and the pursuit of the receivership's claims. Funds collected from the sale of assets and the disposition of valid claims are distributed to the receivership's creditors in accordance with the priorities set by law.

The FDIC seeks to terminate receiverships in an orderly and expeditious manner. Once the FDIC has completed the disposition of the receivership's assets and has resolved all obligations, claims, and other legal impediments, the receivership is terminated, and a final distribution is made to its creditors. Receivership creditors may include secured creditors, unsecured creditors (including general trade creditors), subordinate debt holders, shareholders of the institution, uninsured depositors, and the DIF (as subrogee). The FDIC is often the largest creditor of the receivership.

In addition, the FDIC works closely with other regulators and with the industry to stay abreast of capital markets and financial markets developments to be prepared for potential resolutions involving complex financial instruments. Further, with growing globalization, international outsourcing, and the interconnections of financial markets, the FDIC enters into international agreements, through cross border memoranda of understanding, to facilitate closer cooperation with key foreign authorities on the analysis of emerging issues, improved understanding of national legal and policy structures, and contingency planning for potential resolutions.

Strategic Goal 4

Resolutions are orderly and receiverships are managed effectively.

Strategic Objectives

4.1 Receiverships are managed to maximize net return and terminated in an orderly and timely manner.

4.2 Potential recoveries, including claims against professionals, are investigated and resolved in a fair and cost-effective manner.

The means and strategies used to achieve these strategic objectives and the external factors that could impact their achievement are described below.

4.1 Receiverships are managed to maximize net return and terminated in an orderly and timely manner.

Means & Strategies: As noted above, the FDIC in its receivership capacity manages the assets of a receivership to preserve or enhance their value and disposes of them as quickly as possible, consistent with the objective of maximizing the net return on those assets. The oversight and prompt termination of the receivership preserves value for the uninsured depositors and other receivership claimants by reducing overhead and other holding costs. After being appointed as receiver, the FDIC establishes for the receivership an action plan that is executed by a team of asset, marketing, finance and legal specialists in support of the receivership.

In fulfilling its responsibilities to creditors of failed institutions, the FDIC, as receiver, manages and sells the receivership assets using a variety of strategies and identifies and collects monies due to the receivership. Contractors are often used for this purpose. The FDIC also uses a number of information technology applications, including Internet auctions, to facilitate the management and marketing of assets. While many of the receivership processes are the result of statutory authorities that most likely will not change, the FDIC will continue to watch for ways to improve the process through technology and other efficiencies. The FDIC will continue to closely monitor contractors employed in supporting its resolutions activities to ensure compliance with all legal requirements and promote efficient operations.

With respect to complex financial instruments, the FDIC will finalize a proposed regulation to require insured depository institutions with substantial portfolios of qualified financial contracts to provide specific information, upon request, that is essential to an orderly resolution of such contracts after appointment of the FDIC as conservator or receiver. This regulation, along with further coordinated work with other regulators, will significantly improve the FDIC's ability to respond effectively to troubled institutions with such portfolios in order to minimize the costs of any resolution and limit disruption to the financial markets.

The FDIC will continue to foster more effective international mechanisms for addressing cross border banking and deposit insurance issues. Part of this effort will involve activities in the Basel Committee on Banking Supervision, the International Association of Deposit Insurers, the Financial Stability Forum, and other international bodies.

*External Factors***:** A severe economic downturn could lead to an increased number of institution failures and experienced staff may need to be diverted from other work to handle bank closings on a priority basis. Such a diversion of staff might result in a greater reliance on contractors and could affect the pace at which the FDIC markets assets and terminates receiverships. Economic and other factors, such as extended litigation and problems resolving environmentally tainted receivership properties, might also delay the termination of a receivership.

4.2 Potential recoveries, including claims against professionals, are investigated and resolved in a fair and cost-effective manner.

Means & Strategies: When an insured depository institution fails, the FDIC, as receiver, acquires a group of legal rights, titles and privileges generally known as professional liability claims. The FDIC's attorneys and investigators work together to assure that valid claims arising from a failure of an insured institution are properly pursued. The team conducts a factual investigation of the events that contributed to losses at the institution as well as legal research and analysis of the facts and potential claims. For each potential claim, the team makes a recommendation on whether the claim should be pursued, based on an assessment of the likelihood of a recovery exceeding the estimated cost of pursuing the claim. The prompt investigation and evaluation of potential claims against professionals who may have caused losses to the institution promotes fairness and leads to more cost-effective results.

External Factors: Each potential claim has a statute of limitations that establishes a time limit for the claim to be filed. A substantial increase in the number of failures could make it difficult to complete investigations of all potential claims and make decisions within the established time limit on whether to pursue a claim. The same problem could occur with very complex investigations or claims. In such cases, the FDIC will generally seek to enter into a tolling agreement with the potential defendant to extend the allowable time frame for the claim to be filed.

OFFICE OF INSPECTOR GENERAL

The FDIC's Office of Inspector General (OIG) is an independent organizational unit established under the Inspector General Act of 1978, as amended. OIG's statutory mission is to promote the economy, efficiency, and effectiveness of FDIC programs and operations, and to protect against fraud, waste, and abuse. OIG carries out this mission by conducting audits, evaluations, and investigations; reviewing existing and proposed legislation and regulations; and keeping the FDIC Chairman and the Congress fully and currently informed of problems and deficiencies relating to the FDIC programs and operations. These activities directly support and augment the Corporation's efforts to maintain stability and public confidence in the nation's financial system.

To help accomplish its mission and achieve its vision, OIG has established external strategic goals that align with the FDIC's strategic goals, programs, and activities. In addition, OIG has established an internal strategic goal to build and sustain high-quality staff, effective operations, OIG independence, and mutually beneficial working relationships.

APPENDICES

Appendix A

The FDIC's Strategic Planning Process

- **Introduction**

The FDIC is subject to the requirements of the Government Performance and Results Act (GPRA). In accordance with the requirements of GPRA, the FDIC reviews and updates its Strategic Plan at least every three years, publishes an Annual Performance Plan, and conducts program evaluations to assess whether the Corporation's programs are achieving their stated purposes.

- **Annual Performance Plan and Report**

The FDIC's Strategic Plan is implemented through annual performance plans. The annual plans identify annual performance goals, indicators and targets for each strategic objective. The Corporation submits an *Annual Report* to Congress in February of each year that compares actual performance to the annual performance goals for the prior year. This report is also made available to FDIC stakeholders and the public through the FDIC's website.

The Corporation's long-term strategic goals and objectives are expressed in outcome terms and selected outcome measures are included in the Corporation's annual performance plans. However, many of the performance indicators in these annual plans are process measures (for example, completing required examinations). It is often difficult to establish a direct causal relationship between the Corporation's activities and the outcomes experienced by insured institutions. The FDIC continues to work with the other regulatory agencies to improve its performance measures.

As an independent agency, the FDIC does not prepare assessments using the Program Assessment and Rating Tool (PART) established by the Office of Management and Budget (OMB). However, OMB recently completed its own PART reviews of the FDIC's insurance and supervision programs and determined that both were Effective (highest possible rating).

- **Corporate Planning and Performance Management Process**

The FDIC establishes performance goals annually through an integrated planning and budgeting process. In formulating these performance goals, the Corporation considers the external economic environment, the condition of the banking and financial services industry (including potential risks), projected workload requirements, and other corporate priorities. FDIC plans may also be influenced by the results of program evaluations and other management studies, prior year performance results, and other factors. Based on this information, planning guidance is established by senior management with input from program personnel.

After annual performance goals are established, a proposed annual corporate operating budget is developed, taking into account the financial, human capital, technological, and other resources required to accomplish the FDIC's core mission responsibilities and other annual performance goals. The budget is typically approved by the Board of Directors in December.

Annual performance goals are communicated to employees through established supervisory channels, the internal FDIC website, the *FDIC News*, and other means. Progress reports are prepared by staff and formal performance reviews are conducted by senior management on a quarterly basis. The FDIC's pay and awards programs are tied, in part, to achievement of the Corporation's annual performance goals.

- **Stakeholder Consultation**

FDIC employees were provided with an opportunity to provide input to the update of this strategic plan. In addition, the FDIC requested comment from other stakeholders and the public on the current *FDIC Strategic Plan, 2005-2010*, through a posting on our website over a 30 day period in early 2008. All comments and suggestions were carefully reviewed and incorporated into this updated plan where appropriate.

- **Program Evaluations**

The FDIC's Office of Enterprise Risk Management has primary responsibility for coordinating and reporting on evaluations of the Corporation's programs. This role is independent of the program areas; however, program evaluations are interdivisional, collaborative efforts, and they involve management and staff from all affected divisions and offices. Such participation is critical to fully understanding the program being evaluated. It also gives the divisions and offices a stake in the process. The results of program evaluations are the basis for annual assurances made by division and office directors to the Chairman that operations are effective and efficient; financial data and reporting are reliable; laws and regulations are complied with; and internal controls are adequate. Results of program evaluations were also taken into account in updating this Strategic Plan.

During the period covered by this Strategic Plan, the FDIC will continue to perform risk-based reviews in each strategic area of the Corporation.

Appendix B

FDIC Contacts

Interested parties can contact the FDIC or obtain information through the sources listed below.

■ **FDIC WebSite**

In addition to general information about the FDIC, the website – www.fdic.gov – provides a wide range of information, including the following:

- Deposit insurance information, including a calculator to determine insured deposit coverage
- A list of insured institutions
- An application to determine whether a financial institution is insured by the FDIC and, if insured, the federal banking agency that supervises the institution
- Consumer and community affairs information
- Industry data
- Regulation and examination resources
- Information on buying from and selling to the FDIC
- Publications, press releases and information on conferences

■ **FDIC Call Center**

The FDIC also provides a centralized Call Center to answer general questions about the FDIC and its programs. For specific matters, the Call Center will direct callers to FDIC subject matter experts. The telephone numbers and hours of operations of the Call Center are:

877-ASK-FDIC (877-275-3342) or 800-925-4618 (TDD-for hearing impaired)
(Available from 8:00 a.m. – 8:00 p.m. Eastern Time, Monday – Friday)

■ **Consumer Assistance**

The FDIC answers written inquiries about FDIC insurance coverage and general banking and consumer protection matters. It also investigates complaints about FDIC-supervised banks. To submit an inquiry or consumer complaint against an FDIC-supervised bank by email, please use the Customer Assistance Form at www2.fdic.gov/starsmail/index.asp. To submit an inquiry or complaint by regular mail, please send it to the following address:

Federal Deposit Insurance Corporation
Division of Supervision and Consumer Protection
Consumer Response Center
2345 Grand Boulevard, Suite 100
Kansas City, MO 64108

- **FDIC Ombudsman**

The FDIC Ombudsman is a neutral and confidential resource and liaison to the financial industry and the public on any problem or complaint in dealing with the FDIC. The Ombudsman facilitates communication, explores options, and engages in conflict resolution strategies and methods. The Ombudsman may be reached by telephone at 877-275-3342 or by email at ombudsman@fdic.gov.

- **Public Information Center**

The Public Information Center provides publications to meet the needs of financial institution professionals, researchers, students, reporters and the general public. Individuals and organizations may subscribe online at www.fdic.gov to receive email announcements of new publications. They may also submit general inquiries by sending an email to publicinfo@fdic.gov or by calling 877-ASK-FDIC or 703-562-2200.

- **OIG Hotline**

The Office of Inspector General (OIG) operates a toll-free nationwide hotline to provide a convenient way for FDIC employees, contractors, and others to report incidents of fraud, waste, abuse, and mismanagement within the FDIC and its contractor operations. To report suspected waste, fraud or abuse, call 800-964-FDIC; or send an e-mail to ighotline@fdic.gov.