



Letter to Stakeholders

3rd quarter
2007

FDIC

This edition of our *Letter to Stakeholders* highlights the FDIC's activities and accomplishments during the third quarter of 2007. As we enter the final quarter, the banking industry remains strong, despite persistent troubles in the subprime mortgage market. We are continuing to work with other regulators in urging banks and mortgage servicers to restructure loans, where feasible, to avoid foreclosure and keep consumers in their homes. For more information about the FDIC, please visit our Web site at www.fdic.gov.

Sheila C. Bair
Sheila C. Bair
Chairman



Our Priorities

Depositor Protection

- FDIC-insured commercial banks and savings institutions reported net income of \$36.7 billion in the second quarter of 2007, \$1.3 billion (3.4 percent) below the level one year ago but still the fourth best quarterly earnings ever reported.
- Estimated insured deposits decreased by \$11.3 billion in the second quarter of 2007. The Deposit Insurance Fund (DIF) balance increased by \$482 million (0.9 percent) to \$51.2 billion. The ratio of the DIF to estimated insured deposits increased by one basis point, ending the second quarter of 2007 at 1.21 percent.
- The DIF earned assessment income of \$140 million in the second quarter of 2007. The FDIC estimates that assessment income earned increased to \$170 million in the third quarter of 2007.
- The FDIC was appointed receiver of NetBank, Alpharetta, Georgia, on September 28, 2007. The failed bank was an Internet bank and did not have any physical branches. Depositors of NetBank became depositors of ING Bank, FSB, Wilmington, Delaware.

Mission Support

- The federal financial regulatory agencies and the Conference of State Bank Supervisors issued the *Statement on Loss Mitigation Strategies for Servicers of Residential Mortgages*, encouraging institutions (federal & state supervised) to pursue strategies to mitigate losses while preserving homeownership for borrowers that are delinquent or in default, or are in imminent risk of default, to the extent possible and appropriate.
- The FDIC – working through its new Alliance for Economic Inclusion (AEI) initiative – and the NeighborWorks® Center for Foreclosure Solutions have partnered to promote foreclosure-prevention strategies for consumers at risk of foreclosure from subprime and nontraditional mortgage lending. The partnership will focus its efforts in nine markets around the country that are served by both organizations.
- The FDIC and the Peoples' Bank of China signed a Memorandum of Understanding (MOU) forging an international working relationship to develop and expand methods of interaction on economic and financial issues. The MOU is a positive step in establishing a deposit insurance system in China.
- In July, the FDIC convened its second meeting of the Advisory Committee on Economic Inclusion (Come-IN) focusing on the subprime mortgage situation.
- FDIC hosted the first executive training program sponsored by the International Association of Deposit Insurers in July 2007. The four-day conference which drew 35 representatives from 23 countries was an opportunity to focus on two main topics – developing effective claims and recoveries processes and creating effective deposit insurance agencies.
- In August, the FDIC hosted a national conference for federally insured minority depository institutions with presentations that included "Broadening Access to the Financial Mainstream" and "The Power of Partnerships: Opportunities for NeighborWorks® and Minority Community Bankers."

Resource Management

- The FDIC issued a special edition of *FDIC Consumer News* featuring "51 Ways to Save Hundreds on Loans and Credit Cards." The article offers simple, practical tips that can help consumers cut the costs of borrowing money.
- The *FDIC Quarterly* reported on the results of two studies – the feasibility and consequences of privatizing deposit insurance and the effectiveness of the FDIC's *Money Smart* financial education program.

Our Key Indices *Most Current Data*▼

Insurance

Updated Quarterly (\$ billions)	Q2 2002	Q2 2003	Q2 2004	Q2 2005	Q2 2006	Q2 2007
# Insured Inst.	9,482	9,282	9,092	8,881	8,790	8,626
\$ Insured Inst.	\$ 8,048	\$ 8,934	\$ 9,660	\$ 10,485	\$ 11,539	\$ 12,278
Insured Deposits	\$ 3,310	\$ 3,438	\$ 3,532	\$ 3,758	\$ 4,040	\$ 4,230
Fund Balances	\$ 42.5	\$ 44.9	\$ 46.5	\$ 48.0	\$ 49.6	\$ 51.2
Reserve Ratios	% 1.28	% 1.31	% 1.32	% 1.28	% 1.23	% 1.21
# Problem Inst.	136	125	102	74	50	61
\$ Problem Inst.	\$ 39.7	\$ 31.8	\$ 25.9	\$ 21.7	\$ 5.5	\$ 23.1

Supervision

YTD	9/30/2006	9/30/2007
Total Number of FDIC Supervised Institutions	5,243	5,210
Bank Examinations:		
Safety and Soundness	1,811	1,706
Compliance and CRA	1,517	1,347
Insurance and Other Applications Approved	2,414	2,304
Formal and Informal Enforcement Actions	333	300

Receiverships

Deposit Insurance Fund

YTD (\$ millions)	Q2 2006	Q2 2007	% Change	Q3 2006	Q3 2007*	% Change
Total Receiverships	26	24	-8%	26	25	-4%
Assets in Liquidation	\$ 351	\$ 321	-9%	\$ 345	\$ 2,085	504%
Collections	\$ 57	\$ 47	-18%	\$ 74	\$ 56	-24%
Dividends Paid	\$ 116	\$ 252	117%	\$ 116	\$ 252	117%

Income

Deposit Insurance Fund

YTD (\$ millions)	Q2 2006	Q2 2007	% Change	Q3 2006	Q3 2007*	% Change
Assessment Income	\$ 12	\$ 234	1850%	\$ 22	\$ 404	1736%
Interest	\$ 1,143	\$ 1,315	15%	\$ 1,765	\$ 1,955	11%
Comprehensive Income	\$ 967	\$ 1,062	10%	\$ 1,395	\$ 1,589	14%

Resources

(\$ millions)	Budget/Expenditures				On Board Staff	
	Total	Ongoing Operations	Recvrship Funding	Major Invstment Funding	Q3 2007	Target Y/E 2007
Annual Budget	\$ 1,122	\$ 1,032	\$ 75	\$ 15	4,560	4,725
YTD Expended	\$ 732	\$ 717	\$ 6	\$ 9		

*Financial data is unaudited

*Data includes NetBank, Alpharetta, GA