FDIC Quarterly

Quarterly Banking Profile: First Quarter 2010

A Template for Success: The FDIC's Small-Dollar Loan Pilot Program

A Guide to Processing Deposit Insurance Claims: A Cross-Country Perspective

2010, Volume 4, Number 2

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Quarterly Banking Profile: *First Quarter 2010*

FDIC-insured institutions reported an aggregate profit of $18.0 billion in the first quarter of 2010, a $12.5 billion improvement from the $5.6 billion the industry earned in the first quarter of 2009, but still well below historical norms for quarterly profits. More than half of all institutions (52.2 percent) reported year-over-year improvements in their quarterly net income. Fewer than one in five institutions (18.7 percent) reported net losses for the quarter, compared to 22.3 percent a year earlier. The average return on assets (ROA) rose to 0.54 percent, from 0.16 percent a year ago. This is the highest quarterly ROA for the industry since the first quarter of 2008. *See page 1.*

Insurance Fund Indicators

Estimated insured deposits (based on $250,000 coverage) increased 1.3 percent in the first quarter of 2010. The Deposit Insurance Fund reserve ratio rose 1 basis point during the quarter to –0.38 percent, and 41 FDIC-insured institutions failed during the quarter. *See page 14.*

Temporary Liquidity Guarantee Program

The FDIC Board approved the Temporary Liquidity Guarantee Program (TLGP) in response to major disruptions in credit markets. The TLGP improves access to liquidity for participating institutions by fully guaranteeing non-interest-bearing transaction deposit accounts and by guaranteeing eligible senior unsecured debt. As of March 31, 2010, approximately 80 percent of FDIC-insured institutions have opted in to the Transaction Account Guarantee Program, and 7,678 eligible entities elected the option to participate in the Debt Guarantee Program. Approximately $279 billion in non-interest-bearing transaction accounts was guaranteed as of March 31, 2010, and $305 billion in guaranteed senior unsecured debt, issued by 79 entities, was outstanding at the end of the first quarter. Issuance under the Debt Guarantee Program ended on October 31, 2009. *See page 18.*

Feature Articles:

A Template for Success: The FDIC's Small-Dollar Loan Pilot Program

The Federal Deposit Insurance Corporation's (FDIC) two-year Small-Dollar Loan Pilot Program concluded in the fourth quarter of 2009. The pilot was a case study designed to illustrate how banks can profitably offer affordable small-dollar loans as an alternative to high-cost credit products such as payday loans and fee-based overdraft programs. This article summarizes the results of the pilot, outlines the lessons learned and the potential strategies for expanding the supply of affordable small-dollar loans, and highlights pilot bank successes through case studies. *See page 28.*

A Guide to Processing Deposit Insurance Claims: A Cross-Country Perspective

This article discusses the deposit insurance claims process, whereby insured depositors are reimbursed when a bank fails. The article reviews the role of deposit insurers in a bank failure as well as their responsibilities in the claims process. It also reviews the basic tools that deposit insurers need to satisfy the claims of insured depositors (and others) and the procedures commonly followed in the claims process. Finally, the article explores the claims process of deposit insurers in Canada, the Philippines, the Russian Federation, and the United States. *See page 42.*

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Quarterly Banking Profile First Quarter 2010

INSURED INSTITUTION PERFORMANCE

- ***Industry Net Income Improves to a Two-Year High of $18 Billion***
- ***Loss Provisions Decline but Remain above $50 Billion***
- ***Asset Quality Deterioration Continues to Moderate***
- ***New Accounting Rules Cause Sharp Increase in Reported Loan Balances***
- ***Number of Insured Institutions Falls below 8,000***

Earnings Post Significant Increase

First quarter results for insured commercial banks and savings institutions contained positive signs of recovery for the industry. While new accounting rules had a major effect on several components of the industry's balance sheet and income statement, there was clear improvement in certain performance indicators.[1] Lower provisions for loan losses and reduced expenses for goodwill impairment lifted the earnings of FDIC-insured commercial banks and savings institutions to $18.0 billion. While still low by historical standards, first quarter earnings represented a significant improvement from the $5.6 billion the industry earned in first quarter 2009 and are the highest quarterly total since first quarter 2008. The largest year-over-year increases occurred at the biggest banks, but a majority of institutions (52.2 percent) reported net income growth. This is the highest percentage of institutions reporting increased quarterly earnings in more than three years (since third quarter 2006).

[1] FASB Statements 166 and 167. See *Notes to Users*.

New Accounting Rules Affect Reported Cash Flows

Implementation of FAS 166 and 167 caused a large amount of loans in securitized loan pools to be consolidated into the reported loan balances of a relatively small number of large insured institutions in the first quarter. As a result, the interest income, interest expense, and charge-offs associated with these balances also were included in first quarter financial reports, and the inclusion of the loan balances triggered changes to capital and reserves, as well. Net interest income totaled $109.1 billion in the first quarter, a $9.7 billion (9.7 percent) increase from first quarter 2009. Most of this increase reflected the application of the new accounting rules. It was somewhat offset by a $2.1 billion (99.4 percent) year-over-year decline in income from securitization activities and a $1.1 billion (18.5 percent) drop in servicing income that were also largely a result of the new rules. Application of the accounting changes had no significant effect on the year-over-year increase in the industry's reported net income; lower provisions for loan losses and reduced expenses for

Chart 1

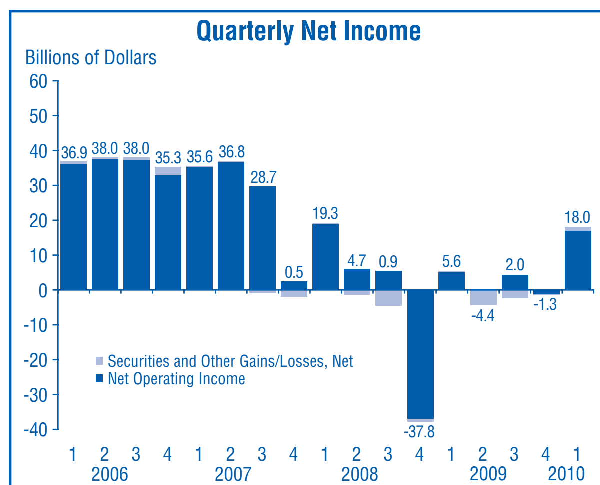
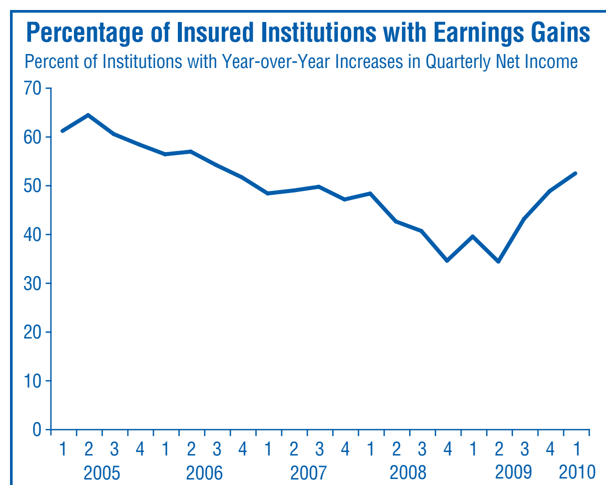


Chart 2



goodwill impairment were the main sources of the improvement in industry earnings.

Reduced Loan-Loss Provisions Help Drive Earnings Improvement

Insured institutions set aside $51.3 billion in provisions for loan and lease losses in the first quarter, a $10.2 billion (16.6 percent) decline from a year earlier. However, only about one-third of insured institutions reported year-over-year declines in loss provisions, with much of the overall reduction concentrated among a few of the largest banks. Another positive factor in the earnings improvement at larger institutions was a $2.2 billion (2.3 percent) decline in noninterest expenses that was caused by lower goodwill impairment losses. Total noninterest income was $6.6 billion (9.7 percent) lower than a year earlier because of the declines in securitization and servicing income and a $1.5 billion (15.1 percent) reduction in trading revenue. The average return on assets (ROA) rose to 0.54 percent, compared to 0.16 percent in first quarter 2009. This is the highest quarterly ROA for the industry since first quarter 2008. Almost half of all institutions—48.1 percent—reported improved ROAs.

Rise in Average Margin Reflects Impact of New Rules

The sharp increase in net interest income caused by adoption of the new accounting rules significantly boosted the industry's net interest margin (NIM). The average margin increased to a seven-year high of 3.83 percent, from 3.53 percent in fourth quarter 2009 and 3.41 percent in first quarter 2009. Most of the improvement occurred at a few large credit card lenders; only 40.7 percent of institutions reported higher NIMs compared to the fourth quarter, although 57.8 percent reported year-over-year improvement.

C&I Charge-Offs Decline for First Time in Four Years

Loan losses posted a year-over-year increase for a 13th consecutive quarter. Net charge-offs totaled $52.4 billion, an increase of $14.5 billion (38.4 percent) from a year earlier. Credit cards accounted for almost three-quarters ($10.4 billion) of the growth in charge-offs, reflecting the securitized receivables brought back onto balance sheets by the new accounting rules. Charge-offs were up from a year ago in most major loan categories, although the increases were smaller than in recent quarters. Most non-consumer loan categories were not affected by the new accounting rules. A notable exception to the rising trend was loans to commercial and industrial (C&I) borrowers, where charge-offs fell for the first time since first quarter 2006, declining by $675 million (10.2 percent). Net charge-offs of real estate loans secured by nonfarm nonresidential real estate properties increased by $1.6 billion (155.5 percent). Charge-offs of residential mortgage loans were $1.6 billion (22.9 percent) higher than a year earlier, while charged-off home equity loans rose by $1.2 billion (29.9 percent).

Chart 3

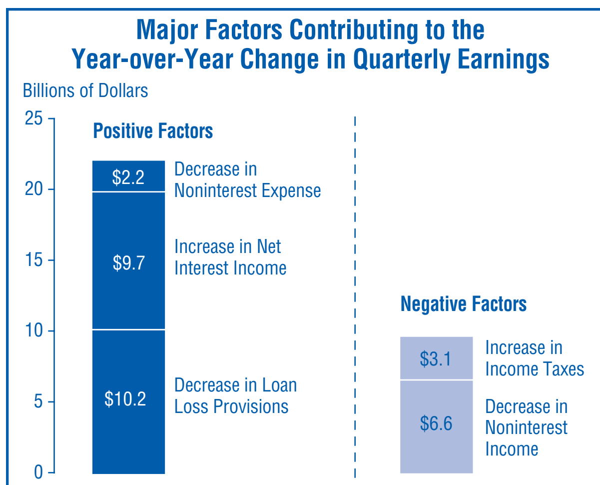
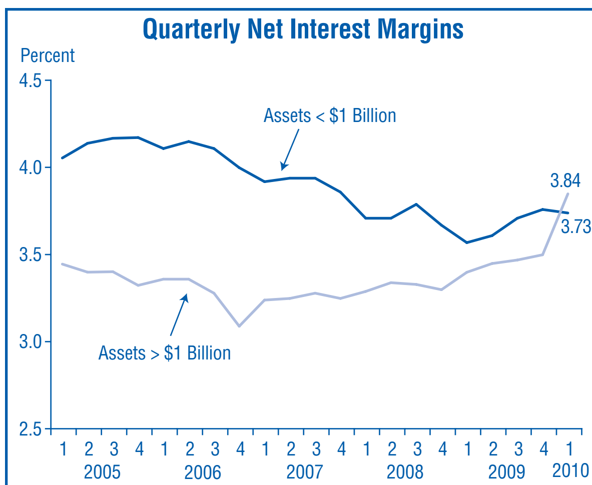


Chart 4



Increase in Noncurrent Loans Is Smallest in Three Years

The amount of loans and leases that were noncurrent (90 days or more past due or in nonaccrual status) increased for a 16th consecutive quarter, rising by $17.4 billion (4.4 percent) from the level at the end of 2009. This is the smallest quarterly increase in noncurrent loans since third quarter 2007, and all of the increase consisted of loans and leases 90 days or more past due. Loans and leases in nonaccrual status fell for the first time in four years, declining by $65 million. Noncurrent credit card loans increased during the quarter by $7.6 billion (51.9 percent), reflecting the inclusion of securitized credit card receivables. Noncurrent residential mortgage loans rose by $12.9 billion (7.2 percent), and noncurrent nonfarm nonresidential real estate loans increased by $3.7 billion (8.8 percent). In contrast, noncurrent C&I loans declined by $5.1 billion (12.2 percent), and noncurrent real estate construction and development loans fell by $1.8 billion (2.5 percent). It was the second consecutive quarterly decline in noncurrent levels for both loan categories.

New Accounting Rules Require Higher Reserves at Some Institutions

Total reserves for loan losses of insured institutions increased by $34.5 billion (15.1 percent) during the first quarter, even though net charge-offs exceeded loss provisions by $1.2 billion. The large jump in reported reserves was associated with the requirements of FASB 166 and 167, as affected institutions converted equity capital directly into reserves. The increased reserves caused the industry's "coverage ratio" of reserves to noncurrent loans and leases to increase for the first time in 16 quarters, from 58.3 percent to 64.2 percent, even though slightly fewer than half of all insured institutions (49.2 percent) improved their coverage ratios during the quarter.

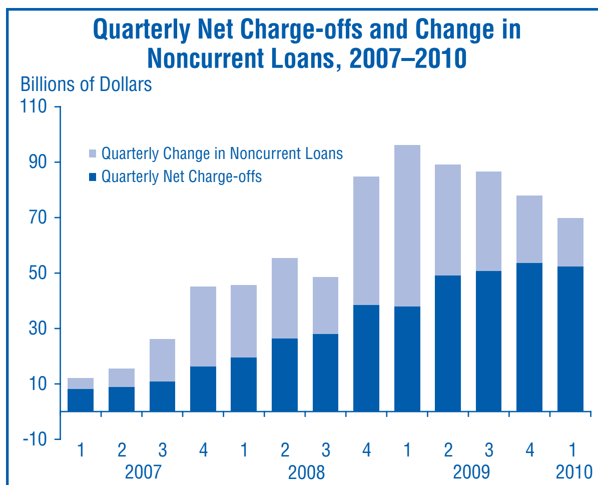
Internal Capital Generation Turns Positive for First Time in Two Years

Total equity capital increased by $15.1 billion (1.0 percent) in the first quarter. The increase would have been larger, but institutions reported almost $22 billion in reductions in equity capital stemming from the application of FAS 167. More than three-quarters of all institutions (76.6 percent) increased their equity capital by a combined total of $30 billion during the quarter, but these increases were partially offset by the accounting-related equity declines noted above. Retained earnings were positive for the first time since first quarter 2008, as net income exceeded dividends by $13.6 billion. Insured institutions paid $4.4 billion in dividends in the first quarter, down $2.9 billion (39.4 percent) from a year earlier.

Accounting Change Lifts Reported Total Assets

Industry assets increased for the first time since fourth quarter 2008, and total loan and lease balances rose for the first time since second quarter 2008, but only because of the new accounting rules. Total assets reported by insured institutions were $248.6 billion (1.9 percent) higher than at the end of 2009, but this was entirely due to a $294.9 billion (69.9 percent) increase

Chart 5



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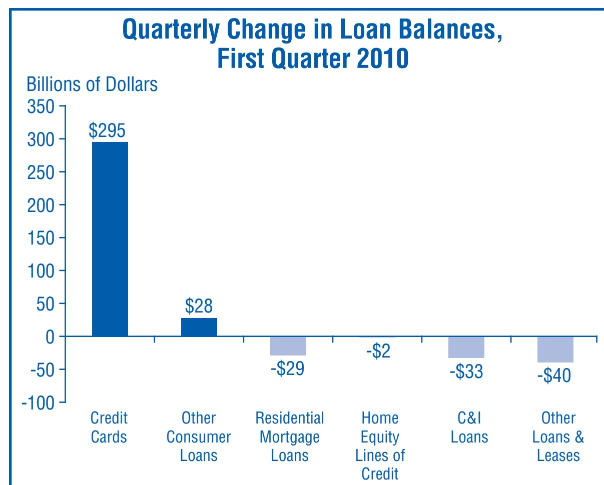

in credit card loans caused by the consolidation of more than $300 billion in securitized credit card receivables into reported loan balances at the end of the first quarter. Other consumer loan balances increased by $28.0 billion, also reflecting similar consolidations of securitized loan pools into reported loan balances, but all other major loan categories registered net declines during the quarter. C&I loan balances fell by $33.1 billion (2.7 percent), real estate construction and development loans declined by $33.1 billion (7.3 percent), and residential mortgage loans declined by $28.9 billion (1.5 percent). Real estate loans secured by nonfarm nonresidential real estate properties declined for the first time since third quarter 1992, falling by $891 million (0.1 percent). In addition to the declines in most major loan categories, banks reduced their holdings of mortgage-backed securities by $8.9 billion (0.6 percent). Institutions increased their portfolios of U.S. Treasury securities by $54.4 billion (53.0 percent) and their balances with Federal Reserve banks by $23.6 billion (4.1 percent).

Securitized Consumer Loans Return to Balance Sheets

The increase in loan balances was mirrored by declines in loans securitized and sold. Securitized credit card receivables declined by $347.4 billion (95.6 percent) during the quarter, while securitized other consumer loans fell by $25.7 billion (80.5 percent), and securitized home equity lines of credit dropped by $5.8 billion (97.2 percent). In all, securitized assets posted a $403.1 billion (22.2 percent) decline in the first quarter.

Secured Borrowings Register Sharp Increase

A substantial amount of short-term secured borrowings accompanied securitized loans onto bank balance sheets in the first quarter. Total deposits fell for the first time in a year, declining by $28.6 billion (0.3 percent). Nondeposit liabilities increased by $262.9 billion (10.9 percent). Federal Home Loan Bank advances fell for a sixth consecutive quarter, declining by $52.9 billion (9.9 percent), while other nondeposit borrowings increased by $294.3 billion (52.8 percent).

"Problem List" Continues to Grow

The number of institutions reporting quarterly financial results declined by 80 in the first quarter, from 8,012 to 7,932. Forty-one FDIC-insured institutions failed during the quarter, while 37 institutions were merged into other charters. Only three new charters were added during the quarter, and all three were charters formed to acquire failed banks. The number of insured commercial banks and savings institutions on the FDIC's "Problem List" increased from 702 to 775 during the quarter, and total assets of "problem" institutions increased from $403 billion to $431 billion.

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Chart 7

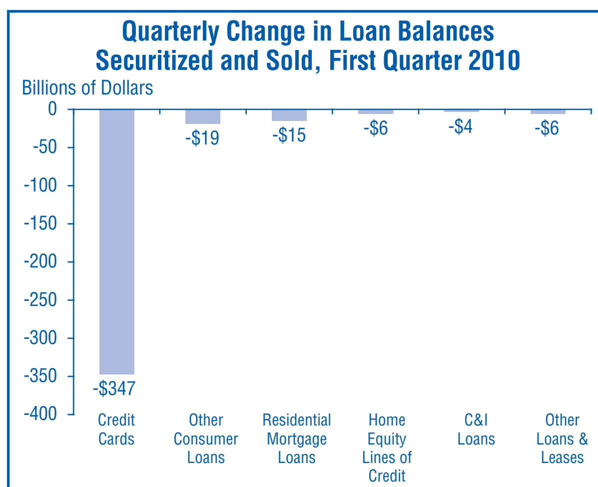

Chart 8

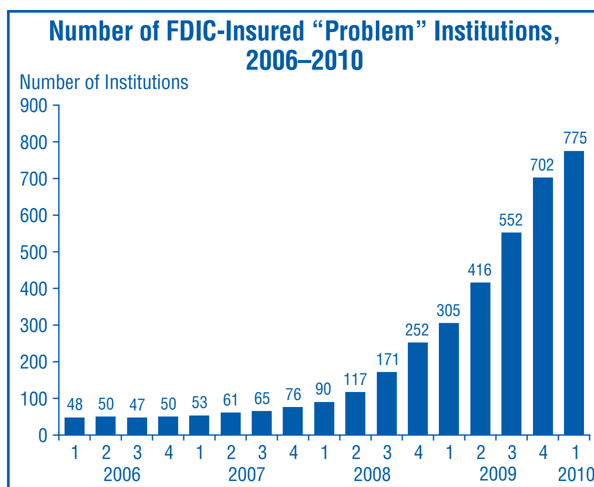

TABLE I-A. Selected Indicators, All FDIC-Insured Institutions*

	2010**	2009**	2009	2008	2007	2006	2005
Return on assets (%)	0.54	0.16	0.08	0.03	0.81	1.28	1.28
Return on equity (%)	4.96	1.66	0.74	0.35	7.75	12.30	12.43
Core capital (leverage) ratio (%)	8.57	8.02	8.63	7.47	7.97	8.22	8.24
Noncurrent assets plus other real estate owned to assets (%)	3.43	2.40	3.33	1.91	0.95	0.54	0.50
Net charge-offs to loans (%)	2.84	1.94	2.50	1.29	0.59	0.39	0.49
Asset growth rate (%)	-1.34	1.26	-5.30	6.19	9.88	9.03	7.64
Net interest margin (%)	3.83	3.41	3.47	3.16	3.29	3.31	3.47
Net operating income growth (%)	230.35	-72.79	54.79	-90.68	-27.59	8.52	11.40
Number of institutions reporting	7,932	8,247	8,012	8,305	8,534	8,680	8,833
Commercial banks	6,772	7,038	6,839	7,086	7,283	7,401	7,526
Savings institutions	1,160	1,209	1,173	1,219	1,251	1,279	1,307
Percentage of unprofitable institutions (%)	18.67	22.31	30.45	24.86	12.09	7.94	6.22
Number of problem institutions	775	305	702	252	76	50	52
Assets of problem institutions (in billions)	$431	$220	$403	$159	$22	$8	$7
Number of failed institutions	41	21	140	25	3	0	0
Number of assisted institutions	0	8	8	5	0	0	0

* Excludes insured branches of foreign banks (IBAs)
** Through March 31, ratios annualized where appropriate. Asset growth rates are for 12 months ending March 31.

TABLE II-A. Aggregate Condition and Income Data, All FDIC-Insured Institutions

(dollar figures in millions)	1st Quarter 2010	4th Quarter 2009	1st Quarter 2009	%Change 09Q1-10Q1
Number of institutions reporting	7,932	8,012	8,247	-3.8
Total employees (full-time equivalent)	2,027,141	2,063,107	2,114,901	-4.1
CONDITION DATA				
Total assets	$13,356,625	$13,107,980	$13,538,166	-1.3
Loans secured by real estate	4,400,501	4,462,931	4,701,123	-6.4
1-4 family residential mortgages	1,887,370	1,916,253	2,045,744	-7.7
Nonfarm nonresidential	1,090,417	1,091,308	1,077,150	1.2
Construction and development	417,972	451,080	566,680	-26.2
Home equity lines	659,603	661,429	674,238	-2.2
Commercial & industrial loans	1,187,609	1,220,672	1,432,211	-17.1
Loans to individuals	1,380,686	1,060,226	1,046,281	32.0
Credit cards	716,995	422,092	403,071	77.9
Farm loans	55,598	59,581	56,137	-1.0
Other loans & leases	480,932	482,524	500,602	-3.9
Less: Unearned income	2,710	3,765	2,481	9.2
Total loans & leases	7,502,616	7,282,168	7,733,872	-3.0
Less: Reserve for losses	262,875	228,348	194,321	35.3
Net loans and leases	7,239,742	7,053,820	7,539,551	-4.0
Securities	2,531,562	2,500,459	2,206,200	14.7
Other real estate owned	46,263	41,226	29,689	55.8
Goodwill and other intangibles	424,849	428,338	415,133	2.3
All other assets	3,114,209	3,084,137	3,347,594	-7.0
Total liabilities and capital	13,356,625	13,107,980	13,538,166	-1.3
Deposits	9,198,191	9,226,795	8,953,914	2.7
Domestic office deposits	7,691,747	7,696,820	7,538,993	2.0
Foreign office deposits	1,506,444	1,529,974	1,414,921	6.5
Other borrowed funds	2,051,797	1,782,222	2,417,120	-15.1
Subordinated debt	150,540	156,989	170,929	-11.9
All other liabilities	476,073	476,254	606,739	-21.5
Total equity capital (includes minority interests)	1,480,025	1,465,719	1,389,463	6.5
Bank equity capital	1,460,356	1,445,210	1,371,742	6.5
Loans and leases 30-89 days past due	144,109	140,249	158,741	-9.2
Noncurrent loans and leases	409,279	391,898	291,904	40.2
Restructured loans and leases	63,995	58,114	32,906	94.5
Mortgage-backed securities	1,386,426	1,395,280	1,313,451	5.6
Earning assets	11,552,854	11,267,422	11,587,244	-0.3
FHLB Advances	480,333	533,211	703,715	-31.7
Unused loan commitments	6,105,396	5,963,073	6,617,851	-7.7
Trust assets	18,096,616	18,622,040	15,786,613	14.6
Assets securitized and sold***	1,414,197	1,817,280	1,881,015	-24.8
Notional amount of derivatives***	218,074,225	213,563,342	206,742,719	5.5

INCOME DATA	Full Year 2009	Full Year 2008	%Change	1st Quarter 2010	1st Quarter 2009	%Change 09Q1-10Q1
Total interest income	$541,155	$603,300	-10.3	$138,407	$142,437	-2.8
Total interest expense	145,487	245,576	-40.8	29,280	42,975	-31.9
Net interest income	395,668	357,724	10.6	109,128	99,461	9.7
Provision for loan and lease losses	249,151	176,217	41.4	51,264	61,444	-16.6
Total noninterest income	260,403	207,711	25.4	61,591	68,229	-9.7
Total noninterest expense	384,868	368,313	4.5	95,288	97,514	-2.3
Securities gains (losses)	-1,607	-15,440	N/M	1,603	1,644	-2.5
Applicable income taxes	5,619	6,294	-10.7	7,624	4,531	68.3
Extraordinary gains, net	-3,787	5,360	N/M	58	-31	N/M
Total net income (includes minority interests)	11,040	N/A	N/A	18,203	5,813	213.1
Bank net income	10,239	4,532	125.9	18,010	5,550	224.5
Net charge-offs	187,424	100,365	86.7	52,434	37,896	38.4
Cash dividends	47,183	51,089	-7.7	4,386	7,242	-39.4
Retained earnings	-36,944	-46,557	N/M	13,624	-1,692	N/M
Net operating income	14,760	9,536	54.8	16,927	5,124	230.4

*** Call Report filers only.
N/A - Data Not Available; N/M - Not Meaningful.

TABLE III-A. First Quarter 2010, All FDIC-Insured Institutions

FIRST QUARTER (The way it is...)	All Insured Institutions	Asset Concentration Groups* Credit Card Banks	International Banks	Agricultural Banks	Commercial Lenders	Mortgage Lenders	Consumer Lenders	Other Specialized <$1 Billion	All Other <$1 Billion	All Other >$1 Billion
Number of institutions reporting	7,932	21	4	1,553	4,355	745	75	304	813	62
Commercial banks	6,772	17	4	1,548	3,890	189	59	276	742	47
Savings institutions	1,160	4	0	5	465	556	16	28	71	15
Total assets (in billions)	$13,356.6	$745.3	$3,157.3	$181.1	$4,498.0	$777.2	$94.7	$40.6	$126.5	$3,735.8
Commercial banks	12,086.5	722.4	3,157.3	180.4	4,016.4	191.2	49.1	35.7	106.9	3,627.1
Savings institutions	1,270.1	22.9	0.0	0.7	481.6	586.1	45.6	4.9	19.6	108.7
Total deposits (in billions)	9,198.2	269.2	2,010.3	148.8	3,430.6	512.3	78.6	30.9	105.0	2,612.4
Commercial banks	8,294.0	255.8	2,010.3	148.2	3,101.0	89.9	38.3	27.6	89.3	2,533.6
Savings institutions	904.2	13.4	0.0	0.6	329.6	422.4	40.3	3.3	15.7	78.8
Bank net income (in millions)	18,010	1,071	5,842	438	2,084	1,525	331	121	276	6,321
Commercial banks	15,841	857	5,842	436	1,644	811	245	72	251	5,683
Savings institutions	2,169	214	0	2	440	714	86	49	25	638
Performance Ratios (%)										
Yield on earning assets	4.86	15.94	3.54	5.26	4.91	4.58	5.99	3.76	5.04	4.03
Cost of funding earning assets	1.03	1.82	0.72	1.40	1.22	1.50	1.41	1.04	1.33	0.75
Net interest margin	3.83	14.12	2.82	3.87	3.68	3.08	4.58	2.72	3.71	3.29
Noninterest income to assets	1.86	3.06	2.19	0.59	1.31	0.78	1.96	7.15	0.94	2.32
Noninterest expense to assets	2.88	4.59	2.84	2.63	2.93	1.75	2.66	7.74	3.03	2.77
Loan and lease loss provision to assets	1.55	9.31	0.86	0.41	1.39	0.74	1.43	0.18	0.29	1.29
Net operating income to assets	0.51	0.65	0.67	0.94	0.15	0.75	1.43	1.20	0.84	0.68
Pretax return on assets	0.78	1.03	0.98	1.12	0.28	1.20	2.22	1.67	1.07	0.99
Return on assets	0.54	0.68	0.75	0.97	0.19	0.79	1.43	1.20	0.88	0.68
Return on equity	4.96	3.48	8.52	8.71	1.74	8.21	13.49	7.05	7.88	5.61
Net charge-offs to loans and leases	2.84	14.26	2.50	0.44	1.88	1.15	2.69	0.54	0.42	2.29
Loan and lease loss provision to net charge-offs	97.77	82.78	98.22	145.20	108.27	107.13	68.40	132.13	122.54	107.13
Efficiency ratio	54.39	28.70	61.29	63.12	62.84	47.53	41.62	80.21	69.60	52.91
% of unprofitable institutions	18.67	19.05	0.00	7.28	25.81	13.56	13.33	16.45	9.10	8.06
% of institutions with earnings gains	52.23	85.71	75.00	49.45	53.32	56.11	72.00	42.11	48.09	66.13
Condition Ratios (%)										
Earning assets to total assets	86.50	86.33	84.88	91.60	88.45	93.16	94.38	89.43	91.58	83.50
Loss allowance to:										
Loans and leases	3.50	10.29	4.18	1.55	2.61	1.49	2.98	1.77	1.40	2.99
Noncurrent loans and leases	64.23	330.14	59.55	78.41	53.83	32.46	194.25	86.89	68.70	42.89
Noncurrent assets plus other real estate owned to assets	3.43	2.67	2.64	1.66	4.00	3.14	1.27	0.69	1.54	3.87
Equity capital ratio	10.93	15.83	8.77	11.24	10.77	9.76	10.54	16.96	11.21	12.15
Core capital (leverage) ratio	8.57	10.35	7.09	10.12	8.91	9.14	10.22	15.18	10.57	8.66
Tier 1 risk-based capital ratio	12.09	12.45	11.81	14.11	11.43	19.12	13.70	34.20	17.48	11.64
Total risk-based capital ratio	14.74	15.30	14.95	15.24	13.66	20.14	15.46	35.09	18.63	14.81
Net loans and leases to deposits	78.71	213.46	53.01	76.69	86.97	89.24	89.28	31.80	66.28	72.54
Net loans to total assets	54.20	77.10	33.75	63.00	66.33	58.83	74.03	24.17	55.03	50.72
Domestic deposits to total assets	57.59	32.87	30.52	82.16	74.52	65.83	81.85	73.89	83.01	60.44
Structural Changes										
New charters	3	0	0	0	2	0	0	0	0	1
Institutions absorbed by mergers	37	0	0	4	28	0	0	0	1	4
Failed institutions	41	0	0	1	37	2	0	1	0	0
PRIOR FIRST QUARTERS (The way it was...)										
Number of institutions 2009	8,247	25	5	1,524	4,680	838	80	305	745	45
2007	8,649	26	4	1,617	4,719	798	115	403	906	61
2005	8,931	28	5	1,698	4,489	971	134	459	1,079	68
Total assets (in billions) 2009	$13,538.2	$476.0	$3,203.0	$165.4	$6,002.1	$1,100.9	$73.2	$36.2	$103.5	$2,377.9
2007	11,982.3	407.2	2,435.7	149.0	4,757.4	1,507.4	99.4	45.7	119.5	2,461.0
2005	10,286.4	363.7	1,875.5	135.1	3,466.7	1,582.0	110.9	54.5	137.0	2,561.0
Return on assets (%) 2009	0.16	-1.36	0.61	0.73	-0.18	0.54	0.08	0.30	0.92	0.48
2007	1.20	3.84	0.93	1.19	1.14	0.91	1.77	2.03	0.99	1.25
2005	1.34	3.22	0.92	1.28	1.32	1.20	1.52	1.52	1.17	1.48
Net charge-offs to loans & leases (%) 2009	1.94	8.57	2.42	0.52	1.45	1.05	2.56	0.43	0.30	1.87
2007	0.45	3.86	0.57	0.14	0.23	0.21	1.43	0.18	0.17	0.31
2005	0.47	4.39	0.76	0.13	0.22	0.10	1.49	0.22	0.21	0.18
Noncurrent assets plus OREO to assets (%) 2009	2.40	2.56	2.00	1.48	2.82	3.04	0.99	0.62	1.11	1.71
2007	0.57	1.32	0.41	0.78	0.62	0.67	0.55	0.18	0.59	0.45
2005	0.50	1.26	0.54	0.71	0.49	0.41	0.52	0.30	0.56	0.42
Equity capital ratio (%) 2009	10.13	23.55	8.44	11.05	10.26	8.92	9.25	16.24	11.34	9.77
2007	10.58	24.50	7.67	10.87	11.32	10.15	10.25	20.27	11.26	9.75
2005	10.26	21.96	8.17	10.78	9.95	10.83	11.10	17.09	10.79	9.97

* See Table IV-A (page 8) for explanations.

TABLE III-A. First Quarter 2010, All FDIC-Insured Institutions

FIRST QUARTER (The way it is...)	All Insured Institutions	Asset Size Distribution: Less than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	Greater than $10 Billion	Geographic Regions*: New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Number of institutions reporting	7,932	2,778	4,474	575	105	976	1,103	1,636	1,868	1,654	695
Commercial banks	6,772	2,469	3,780	440	83	512	977	1,346	1,769	1,535	633
Savings institutions	1,160	309	694	135	22	464	126	290	99	119	62
Total assets (in billions)	$13,356.6	$155.4	$1,339.6	$1,478.2	$10,383.4	$2,692.2	$2,989.1	$2,977.9	$1,664.4	$786.5	$2,246.4
Commercial banks	12,086.5	138.7	1,098.1	1,136.3	9,713.4	1,998.6	2,864.8	2,848.1	1,612.9	695.7	2,066.4
Savings institutions	1,270.1	16.7	241.5	342.0	669.9	693.6	124.4	129.7	51.6	90.8	180.0
Total deposits (in billions)	9,198.2	130.3	1,099.7	1,118.2	6,850.0	1,743.7	2,112.3	2,016.0	1,196.7	614.3	1,515.2
Commercial banks	8,294.0	117.2	911.3	859.1	6,406.5	1,262.8	2,020.5	1,919.7	1,157.6	540.7	1,392.7
Savings institutions	904.2	13.1	188.3	259.1	443.6	480.9	91.8	96.2	39.2	73.6	122.5
Net income (in millions)	18,010	198	1,427	758	15,626	3,663	2,373	3,605	2,723	1,498	4,149
Commercial banks	15,841	155	1,185	310	14,192	2,721	2,278	3,722	2,627	1,287	3,206
Savings institutions	2,169	44	242	448	1,435	942	94	-116	96	211	942
Performance Ratios (%)											
Yield on earning assets	4.86	5.28	5.22	5.02	4.77	5.66	4.55	3.93	5.97	4.95	4.68
Cost of funding earning assets	1.03	1.41	1.50	1.38	0.90	1.25	0.98	0.86	0.93	1.08	1.10
Net interest margin	3.83	3.87	3.72	3.63	3.87	4.41	3.57	3.07	5.04	3.87	3.58
Noninterest income to assets	1.86	1.27	0.89	1.23	2.09	1.72	1.81	2.02	2.34	1.40	1.71
Noninterest expense to assets	2.88	3.72	3.10	2.82	2.85	2.80	2.73	3.03	3.41	3.18	2.49
Loan and lease loss provision to assets	1.55	0.46	0.69	1.33	1.71	1.90	1.64	1.13	2.29	0.82	1.29
Net operating income to assets	0.51	0.47	0.38	0.15	0.58	0.54	0.31	0.41	0.66	0.70	0.72
Pretax return on assets	0.78	0.66	0.56	0.44	0.85	0.85	0.46	0.63	0.97	0.96	1.09
Return on assets	0.54	0.51	0.43	0.21	0.61	0.56	0.32	0.49	0.66	0.76	0.74
Return on equity	4.96	4.28	4.27	1.90	5.48	4.31	2.83	5.69	5.70	7.35	6.60
Net charge-offs to loans and leases	2.84	0.61	0.86	1.75	3.40	4.09	2.73	2.35	3.27	1.21	2.34
Loan and lease loss provision to net charge-offs	97.77	123.16	118.78	116.18	95.12	83.83	105.03	99.29	103.30	102.55	105.69
Efficiency ratio	54.39	77.43	71.94	60.54	51.52	48.82	55.79	63.69	48.61	64.52	50.50
% of unprofitable institutions	18.67	19.76	17.30	22.96	24.76	15.37	34.90	16.26	12.85	11.91	34.96
% of institutions with earnings gains	52.23	49.32	53.20	56.87	62.86	64.86	49.14	47.25	51.71	51.27	54.82
Condition Ratios (%)											
Earning assets to total assets	86.50	91.10	91.47	90.49	85.22	86.76	83.89	86.71	87.23	90.07	87.57
Loss allowance to:											
Loans and leases	3.50	1.64	1.81	2.33	4.01	4.09	3.33	3.38	3.75	2.11	3.52
Noncurrent loans and leases	64.23	62.01	49.56	50.77	67.50	101.26	50.96	56.40	60.66	54.18	69.45
Noncurrent assets plus other real estate owned to assets	3.43	2.31	3.37	3.69	3.42	2.44	4.16	3.22	4.79	3.19	3.02
Equity capital ratio	10.93	11.99	10.07	10.87	11.04	12.59	11.29	8.56	11.52	10.42	11.37
Core capital (leverage) ratio	8.57	11.54	9.53	9.47	8.26	9.39	7.93	7.09	8.96	9.36	9.80
Tier 1 risk-based capital ratio	12.09	17.57	13.52	13.52	11.62	13.36	11.03	10.50	11.03	12.98	14.77
Total risk-based capital ratio	14.74	18.67	14.74	14.92	14.66	15.72	14.21	13.82	13.60	14.71	16.52
Net loans and leases to deposits	78.71	71.87	80.09	84.00	77.75	84.15	77.48	68.50	93.88	82.19	74.34
Net loans to total assets	54.20	60.24	65.74	63.54	51.29	54.50	54.76	46.37	67.50	64.19	50.14
Domestic deposits to total assets	57.59	83.81	81.98	75.17	51.55	57.60	62.71	52.46	66.78	77.60	43.74
Structural Changes											
New charters	3	0	1	2	0	0	2	0	0	1	0
Institutions absorbed by mergers	37	17	17	2	1	4	4	4	9	6	10
Failed institutions	41	11	22	8	0	3	14	4	5	3	12
PRIOR FIRST QUARTERS (The way it was...)											
Number of institutions 2009	8,247	3,052	4,504	576	115	1,005	1,172	1,692	1,924	1,690	764
2007	8,649	3,597	4,397	536	119	1,087	1,222	1,818	2,007	1,742	773
2005	8,931	4,053	4,285	480	113	1,118	1,220	1,932	2,089	1,824	748
Total assets (in billions) 2009	$13,538.2	$167.2	$1,359.5	$1,512.5	$10,498.9	$2,517.7	$3,520.2	$3,176.6	$1,064.7	$909.0	$2,350.2
2007	11,982.3	189.6	1,298.2	1,420.9	9,073.6	2,204.0	2,948.8	2,778.8	863.4	662.8	2,524.5
2005	10,286.4	210.1	1,207.8	1,324.5	7,544.1	2,843.6	2,274.0	2,423.0	762.9	618.5	1,364.4
Return on assets (%) 2009	0.16	0.25	0.27	-0.24	0.20	0.06	0.16	0.12	0.56	-0.37	0.37
2007	1.20	0.85	1.08	1.14	1.23	1.12	1.22	1.07	1.75	1.11	1.20
2005	1.34	1.04	1.21	1.34	1.36	1.31	1.44	1.01	1.67	1.28	1.64
Net charge-offs to loans & leases (%) 2009	1.94	0.57	0.76	1.43	2.26	2.23	1.76	1.63	2.15	0.91	2.67
2007	0.45	0.15	0.13	0.25	0.55	0.81	0.22	0.31	0.63	0.19	0.57
2005	0.47	0.12	0.15	0.27	0.57	0.71	0.22	0.32	0.58	0.20	0.63
Noncurrent assets plus OREO to assets (%) 2009	2.40	1.87	2.53	2.98	2.31	1.53	2.56	2.43	2.72	2.60	2.81
2007	0.57	0.77	0.67	0.58	0.55	0.56	0.36	0.60	1.08	0.63	0.61
2005	0.50	0.74	0.54	0.48	0.49	0.52	0.32	0.51	0.78	0.59	0.52
Equity capital ratio (%) 2009	10.13	12.66	9.96	10.56	10.05	12.13	10.19	8.37	9.90	9.87	10.49
2007	10.58	13.24	10.50	11.24	10.43	12.72	10.04	9.13	10.57	10.60	10.92
2005	10.26	11.85	10.08	10.74	10.16	11.29	8.49	9.24	10.55	10.80	12.48

* See Table IV-A (page 9) for explanations.

TABLE IV-A. Full Year 2009, All FDIC-Insured Institutions

FULL YEAR (The way it is...)	All Insured Institutions	Asset Concentration Groups* Credit Card Banks	International Banks	Agricultural Banks	Commercial Lenders	Mortgage Lenders	Consumer Lenders	Other Specialized <$1 Billion	All Other <$1 Billion	All Other >$1 Billion
Number of institutions reporting	8,012	22	4	1,568	4,452	767	82	289	772	56
Commercial banks	6,839	18	4	1,563	3,974	203	66	258	708	45
Savings institutions	1,173	4	0	5	478	564	16	31	64	11
Total assets (in billions)	$13,108.0	$521.9	$3,107.1	$182.0	$4,547.3	$810.5	$96.2	$38.0	$116.2	$3,688.8
Commercial banks	11,843.8	498.3	3,107.1	181.3	4,059.4	203.5	50.8	32.8	99.4	3,611.2
Savings institutions	1,264.2	23.6	0.0	0.7	487.9	606.9	45.4	5.2	16.8	77.6
Total deposits (in billions)	9,226.8	270.0	2,024.5	148.9	3,463.4	528.3	78.4	28.4	96.5	2,588.4
Commercial banks	8,333.2	256.2	2,024.5	148.3	3,129.4	99.8	38.9	25.0	83.1	2,528.0
Savings institutions	893.6	13.8	0.0	0.6	334.1	428.5	39.5	3.4	13.4	60.4
Net income (in millions)	10,239	-1,409	2,407	1,446	-18,692	5,206	304	274	906	19,797
Commercial banks	8,559	-2,204	2,407	1,442	-17,674	3,067	186	156	862	20,317
Savings institutions	1,680	795	0	4	-1,018	2,139	118	118	44	-520
Performance Ratios (annualized, %)										
Yield on earning assets	4.75	11.42	3.86	5.65	5.07	4.89	5.82	4.03	5.41	4.12
Cost of funding earning assets	1.28	1.36	0.94	1.72	1.57	1.84	1.70	1.20	1.64	1.00
Net interest margin	3.47	10.06	2.92	3.92	3.50	3.05	4.12	2.83	3.78	3.12
Noninterest income to assets	1.96	5.41	1.91	0.64	1.48	1.14	2.31	7.49	0.89	2.31
Noninterest expense to assets	2.89	5.75	2.59	2.75	3.15	1.85	2.93	8.65	3.01	2.63
Loan and lease loss provision to assets	1.87	8.38	1.48	0.58	1.92	0.98	2.67	0.22	0.40	1.60
Net operating income to assets	0.11	-0.36	0.27	0.79	-0.42	0.69	0.34	0.70	0.79	0.47
Pretax return on assets	0.12	-0.51	0.02	0.94	-0.49	1.06	0.59	1.13	0.96	0.71
Return on assets	0.08	-0.28	0.08	0.82	-0.41	0.65	0.34	0.72	0.80	0.51
Return on equity	0.74	-1.20	0.92	7.39	-3.99	7.38	3.23	4.10	7.14	4.70
Net charge-offs to loans and leases	2.50	9.77	2.97	0.65	2.01	1.21	2.74	0.78	0.54	2.19
Loan and lease loss provision to net charge-offs	132.93	120.45	134.78	136.01	135.64	132.68	123.95	105.35	129.28	137.71
Efficiency ratio	55.57	39.41	58.88	64.04	62.71	46.16	46.79	82.92	68.73	51.68
% of unprofitable institutions	30.45	31.82	75.00	11.54	42.72	22.56	17.07	19.03	11.92	23.21
% of institutions with earnings gains	40.44	31.82	25.00	40.18	37.38	56.98	45.12	36.68	42.36	55.36
Condition Ratios (%)										
Earning assets to total assets	85.96	80.29	84.68	91.04	88.43	92.38	94.74	89.16	91.43	82.69
Loss Allowance to:										
Loans and leases	3.14	9.33	4.34	1.50	2.53	1.43	3.01	1.59	1.33	2.89
Noncurrent loans and leases	58.27	277.71	58.58	81.70	53.87	30.96	172.33	82.91	74.94	45.21
Noncurrent assets plus other real estate owned to assets	3.33	2.31	2.75	1.56	3.87	3.17	1.44	0.69	1.34	3.55
Equity capital ratio	11.03	24.56	8.75	10.96	10.49	9.48	11.16	17.72	11.27	11.95
Core capital (leverage) ratio	8.63	19.60	6.98	9.95	8.70	8.92	10.46	15.62	10.65	8.22
Tier 1 risk-based capital ratio	11.66	14.24	11.28	13.54	11.00	18.57	14.13	35.79	17.44	10.77
Total risk-based capital ratio	14.31	16.50	14.35	14.66	13.22	19.55	15.91	36.63	18.58	14.13
Net loans and leases to deposits	76.45	120.53	51.23	78.08	87.91	90.65	93.32	33.33	66.95	73.57
Net loans to total assets	53.81	62.36	33.38	63.86	66.95	59.09	76.04	24.90	55.57	51.62
Domestic deposits to total assets	58.72	46.24	30.96	81.80	74.26	65.11	80.38	74.24	83.00	60.68
Structural Changes										
New charters	31	0	0	1	7	1	0	19	1	2
Institutions absorbed by mergers	179	1	0	24	137	4	0	1	7	5
Failed institutions	140	0	0	4	123	8	0	0	5	0
PRIOR FULL YEARS (The way it was...)										
Number of Institutions 2008	8,305	26	5	1,559	4,753	839	91	279	709	44
2006	8,680	26	4	1,634	4,713	817	123	411	895	57
2004	8,976	34	5	1,731	4,423	990	132	466	1,120	75
Total assets (in billions) 2008	$13,841.2	$513.0	$3,410.1	$168.8	$5,461.2	$997.1	$122.2	$34.4	$94.8	$3,039.6
2006	11,861.9	408.4	2,337.2	149.2	4,905.0	1,445.0	109.9	42.2	119.6	2,345.4
2004	10,107.4	383.0	1,881.3	138.7	3,301.4	1,505.0	104.1	52.0	143.3	2,598.4
Return on assets (%) 2008	0.03	1.70	0.25	1.00	-0.13	-0.48	-0.01	1.43	0.82	-0.09
2006	1.28	4.19	1.01	1.23	1.28	0.94	1.75	1.54	1.04	1.26
2004	1.28	4.03	0.76	1.22	1.29	1.17	1.66	1.68	1.10	1.32
Net charge-offs to loans & leases (%) 2008	1.29	5.94	1.43	0.41	1.14	0.86	1.74	0.35	0.35	0.74
2006	0.39	3.48	0.48	0.17	0.22	0.15	1.40	0.42	0.20	0.22
2004	0.56	4.66	0.91	0.22	0.30	0.12	1.57	0.59	0.29	0.25
Noncurrent assets plus OREO to assets (%) 2008	1.91	2.08	1.59	1.17	2.34	2.55	1.31	0.35	1.05	1.35
2006	0.54	1.37	0.40	0.67	0.56	0.56	0.85	0.20	0.56	0.46
2004	0.53	1.50	0.57	0.68	0.51	0.43	0.53	0.31	0.59	0.45
Equity capital ratio (%) 2008	9.33	20.47	7.01	10.99	10.04	7.45	9.85	18.63	11.28	9.11
2006	10.52	22.88	7.75	10.73	11.16	9.91	14.16	21.12	10.97	9.78
2004	10.28	20.54	8.05	10.78	10.10	10.53	11.36	17.47	10.79	10.23

***Asset Concentration Group Definitions (Groups are hierarchical and mutually exclusive):**
Credit-card Lenders - Institutions whose credit-card loans plus securitized receivables exceed 50 percent of total assets plus securitized receivables.
International Banks - Banks with assets greater than $10 billion and more than 25 percent of total assets in foreign offices.
Agricultural Banks - Banks whose agricultural production loans plus real estate loans secured by farmland exceed 25 percent of the total loans and leases.
Commercial Lenders - Institutions whose commercial and industrial loans, plus real estate construction and development loans, plus loans secured by commercial real estate properties exceed 25 percent of total assets.
Mortgage Lenders - Institutions whose residential mortgage loans, plus mortgage-backed securities, exceed 50 percent of total assets.
Consumer Lenders - Institutions whose residential mortgage loans, plus credit-card loans, plus other loans to individuals, exceed 50 percent of total assets.
Other Specialized < $1 Billion - Institutions with assets less than $1 billion, whose loans and leases are less than 40 percent of total assets.
All Other < $1 billion - Institutions with assets less than $1 billion that do not meet any of the definitions above, they have significant lending activity with no identified asset concentrations.
All Other > $1 billion - Institutions with assets greater than $1 billion that do not meet any of the definitions above, they have significant lending activity with no identified asset concentrations.

TABLE IV-A. Full Year 2009, All FDIC-Insured Institutions

FULL YEAR (The way it is...)	All Insured Institutions	Asset Size Distribution: Less than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	Greater than $10 Billion	Geographic Regions*: New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Number of institutions reporting	8,012	2,847	4,493	565	107	986	1,121	1,647	1,879	1,660	719
Commercial banks	6,839	2,526	3,799	429	85	518	992	1,355	1,780	1,540	654
Savings institutions	1,173	321	694	136	22	468	129	292	99	120	65
Total assets (in billions)	$13,108.0	$158.9	$1,354.7	$1,461.8	$10,132.7	$2,587.8	$3,427.5	$2,934.5	$1,145.7	$784.9	$2,227.6
Commercial banks	11,843.8	141.4	1,111.7	1,119.6	9,471.1	1,894.9	3,303.2	2,803.4	1,094.8	695.6	2,051.8
Savings institutions	1,264.2	17.5	243.0	342.2	661.5	692.9	124.3	131.0	50.9	89.3	175.8
Total deposits (in billions)	9,226.8	132.5	1,106.4	1,107.9	6,880.0	1,749.4	2,464.5	2,020.1	867.7	606.3	1,518.8
Commercial banks	8,333.2	119.0	918.2	850.6	6,445.4	1,272.5	2,373.1	1,922.7	829.2	535.0	1,400.6
Savings institutions	893.6	13.6	188.2	257.3	434.5	476.9	91.4	97.5	38.5	71.3	118.1
Net income (in millions)	10,239	-48	-1,110	-4,989	16,386	-1,269	-333	5,616	8,716	2,819	-5,310
Commercial banks	8,559	17	-1,019	-4,570	14,131	-1,915	53	6,419	8,718	2,472	-7,189
Savings institutions	1,680	-65	-92	-419	2,255	646	-386	-803	-2	346	1,878
Performance Ratios (annualized, %)											
Yield on earning assets	4.75	5.59	5.54	5.18	4.56	5.17	4.42	4.13	5.55	5.11	5.05
Cost of funding earning assets	1.28	1.75	1.90	1.75	1.11	1.46	1.22	1.12	1.08	1.36	1.43
Net interest margin	3.47	3.84	3.64	3.43	3.45	3.71	3.19	3.01	4.46	3.75	3.62
Noninterest income to assets	1.96	0.99	1.02	1.39	2.17	1.93	1.87	2.11	3.10	1.60	1.48
Noninterest expense to assets	2.89	3.76	3.29	3.09	2.80	2.84	2.73	2.87	3.88	3.32	2.61
Loan and lease loss provision to assets	1.87	0.72	1.14	1.69	2.01	1.92	1.90	1.63	1.90	1.24	2.32
Net operating income to assets	0.11	-0.05	-0.10	-0.32	0.20	0.24	-0.08	0.14	0.79	0.32	-0.19
Pretax return on assets	0.12	0.03	-0.05	-0.33	0.20	-0.05	0.00	0.28	1.18	0.48	-0.38
Return on assets	0.08	-0.03	-0.08	-0.35	0.16	-0.05	-0.01	0.19	0.77	0.36	-0.24
Return on equity	0.74	-0.25	-0.83	-3.23	1.52	-0.39	-0.09	2.23	7.43	3.59	-2.32
Net charge-offs to loans and leases	2.50	0.88	1.23	1.90	2.84	2.75	2.28	2.35	2.40	1.34	3.33
Loan and lease loss provision to net charge-offs	132.93	130.74	133.50	132.05	133.01	129.33	141.21	137.91	117.96	139.38	127.71
Efficiency ratio	55.57	82.22	73.46	63.23	52.31	52.92	55.43	57.49	54.03	63.23	54.85
% of unprofitable institutions	30.45	28.42	30.49	38.05	42.99	27.89	55.93	26.41	20.17	19.16	56.47
% of institutions with earnings gains	40.44	39.37	41.00	42.12	36.45	55.98	29.17	39.89	40.18	43.25	32.13
Condition Ratios (%)											
Earning assets to total assets	85.96	90.76	91.32	90.23	84.55	85.95	83.26	86.66	86.80	90.18	87.27
Loss Allowance to:											
Loans and leases	3.14	1.62	1.78	2.20	3.57	3.40	2.99	3.32	2.70	2.06	3.60
Noncurrent loans and leases	58.27	63.91	50.11	49.29	60.31	84.30	48.26	56.45	46.46	55.53	66.37
Noncurrent assets plus other real estate owned to assets	3.33	2.24	3.28	3.57	3.31	2.31	4.04	3.20	4.28	3.03	3.19
Equity capital ratio	11.03	11.98	9.88	10.74	11.20	13.22	11.67	8.60	10.71	10.30	11.11
Core capital (leverage) ratio	8.63	11.55	9.35	9.27	8.39	10.15	7.93	7.05	9.22	9.28	9.53
Tier 1 risk-based capital ratio	11.66	17.34	13.05	12.82	11.23	13.47	10.42	10.06	10.64	12.65	13.95
Total risk-based capital ratio	14.31	18.43	14.26	14.18	14.28	15.81	13.73	13.33	12.81	14.39	15.69
Net loans and leases to deposits	76.45	73.47	81.86	84.84	74.29	77.11	79.67	68.61	84.17	84.05	73.45
Net loans to total assets	53.81	61.29	66.85	64.30	50.44	52.13	57.29	47.23	63.75	64.93	50.07
Domestic deposits to total assets	58.72	83.43	81.61	75.15	52.90	59.55	64.28	53.04	70.70	76.52	44.24
Structural Changes											
New charters	31	25	3	1	2	3	11	7	0	6	4
Institutions absorbed by mergers	179	78	81	11	9	27	25	36	48	29	14
Failed institutions	140	25	88	22	5	6	45	30	15	9	35
PRIOR FULL YEARS (The way it was...)											
Number of Institutions 2008	8,305	3,132	4,498	561	114	1,015	1,180	1,705	1,935	1,700	770
2006	8,680	3,632	4,399	530	119	1,092	1,218	1,826	2,018	1,753	773
2004	8,976	4,093	4,286	480	117	1,129	1,219	1,951	2,094	1,834	749
Total assets (in billions) 2008	$13,841.2	$170.9	$1,354.7	$1,489.8	$10,825.8	$2,594.2	$3,745.9	$3,264.3	$1,057.2	$780.9	$2,398.7
2006	11,861.9	189.9	1,290.0	1,397.9	8,984.0	2,216.1	2,911.4	2,746.2	859.8	652.3	2,476.1
2004	10,107.4	211.7	1,199.6	1,318.5	7,377.6	2,856.4	2,177.1	2,387.6	768.2	603.1	1,315.1
Return on assets (%) 2008	0.03	0.25	0.24	-0.30	0.05	0.25	-0.14	0.29	0.57	0.51	-0.63
2006	1.28	0.92	1.16	1.22	1.31	1.27	1.31	1.10	1.76	1.23	1.29
2004	1.28	1.00	1.19	1.45	1.27	1.37	1.34	0.88	1.55	1.26	1.60
Net charge-offs to loans & leases (%) 2008	1.29	0.46	0.67	1.10	1.44	1.44	1.01	1.24	1.60	0.68	1.74
2006	0.39	0.18	0.16	0.20	0.47	0.72	0.19	0.28	0.55	0.21	0.43
2004	0.56	0.28	0.27	0.39	0.65	0.87	0.31	0.41	0.74	0.27	0.60
Noncurrent assets plus OREO to assets (%) 2008	1.91	1.66	2.16	2.46	1.80	1.20	2.02	1.93	2.28	1.80	2.33
2006	0.54	0.73	0.59	0.52	0.53	0.52	0.33	0.57	1.05	0.62	0.56
2004	0.53	0.74	0.56	0.51	0.53	0.58	0.35	0.55	0.81	0.61	0.51
Equity capital ratio (%) 2008	9.33	12.87	10.00	10.65	9.01	11.14	9.56	8.07	9.49	9.95	8.45
2006	10.52	13.01	10.39	10.97	10.42	12.47	10.05	9.07	10.64	10.42	10.92
2004	10.28	11.82	10.19	10.87	10.15	11.20	8.74	9.36	10.62	10.78	12.10

*** Regions:**
New York - Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont, U.S. Virgin Islands
Atlanta - Alabama, Florida, Georgia, North Carolina, South Carolina, Virginia, West Virginia
Chicago - Illinois, Indiana, Kentucky, Michigan, Ohio, Wisconsin
Kansas City - Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
Dallas - Arkansas, Colorado, Louisiana, Mississippi, New Mexico, Oklahoma, Tennessee, Texas
San Francisco - Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Pacific Islands, Utah, Washington, Wyoming

TABLE V-A. Loan Performance, All FDIC-Insured Institutions

March 31, 2010	All Insured Institutions	Asset Concentration Groups*								
		Credit Card Banks	International Banks	Agricultural Banks	Commercial Lenders	Mortgage Lenders	Consumer Lenders	Other Specialized <$1 Billion	All Other <$1 Billion	All Other >$1 Billion
Percent of Loans 30-89 Days Past Due										
All loans secured by real estate	2.23	3.66	2.93	1.48	1.83	1.94	1.13	1.44	1.92	2.79
Construction and development	2.81	0.00	3.82	1.67	2.76	4.21	1.81	1.49	2.27	2.84
Nonfarm nonresidential	1.44	0.00	0.81	1.31	1.42	1.78	2.33	0.95	1.58	1.55
Multifamily residential real estate	1.28	0.00	0.62	0.84	1.46	1.36	5.09	1.86	1.28	1.38
Home equity loans	1.24	1.43	1.63	0.59	0.85	1.16	0.89	0.58	0.92	1.39
Other 1-4 family residential	3.07	4.47	4.41	2.01	2.37	1.97	1.25	1.82	2.18	3.96
Commercial and industrial loans	0.94	4.08	0.36	1.77	1.05	1.23	1.45	1.37	1.72	0.71
Loans to individuals	2.29	2.69	2.06	1.89	1.79	1.52	1.91	1.90	1.87	2.18
Credit card loans	2.61	2.66	2.72	1.62	2.08	2.93	1.16	2.43	1.27	2.77
Other loans to individuals	1.95	3.33	1.83	1.90	1.73	1.11	2.27	1.84	1.88	2.06
All other loans and leases (including farm)	0.64	0.01	0.25	1.19	0.78	0.19	0.48	1.23	0.64	0.91
Total loans and leases	1.92	2.68	1.91	1.48	1.63	1.89	1.67	1.48	1.80	2.18
Percent of Loans Noncurrent**										
All real estate loans	7.55	5.67	10.69	2.39	6.08	4.86	1.38	2.45	2.35	10.39
Construction and development	16.82	0.00	17.91	10.82	17.16	16.02	10.47	5.43	6.90	16.37
Nonfarm nonresidential	4.17	0.00	4.81	2.61	3.87	3.18	2.91	2.31	2.52	5.70
Multifamily residential real estate	4.62	0.00	4.18	3.27	4.41	3.93	0.19	2.75	3.95	6.28
Home equity loans	1.72	6.07	1.86	0.68	1.15	1.99	0.83	1.23	0.88	2.16
Other 1-4 family residential	10.17	5.94	17.91	1.60	5.70	4.96	1.39	2.23	1.88	15.17
Commercial and industrial loans	3.11	3.99	5.72	2.44	2.54	1.71	0.93	1.33	2.10	2.60
Loans to individuals	2.27	3.18	2.37	0.76	1.37	1.20	1.63	0.91	0.70	1.26
Credit card loans	3.09	3.14	3.10	0.63	2.98	3.37	1.43	1.92	0.90	3.19
Other loans to individuals	1.37	3.94	2.11	0.76	1.04	0.59	1.72	0.80	0.70	0.86
All other loans and leases (including farm)	1.65	0.02	2.35	0.93	1.66	0.25	1.11	1.38	0.80	1.32
Total loans and leases	5.45	3.12	7.02	1.98	4.85	4.60	1.52	2.04	2.04	6.98
Percent of Loans Charged-off (net, YTD)										
All real estate loans	2.04	3.54	2.73	0.35	1.87	1.04	1.98	0.33	0.33	2.60
Construction and development	5.32	0.00	4.98	2.14	5.63	5.99	7.58	0.19	1.75	4.47
Nonfarm nonresidential	0.97	0.00	0.90	0.30	1.01	0.59	0.11	0.17	0.23	0.97
Multifamily residential real estate	1.10	0.00	0.94	0.59	1.26	1.01	0.00	1.47	0.34	0.79
Home equity loans	3.12	3.34	2.98	0.55	1.47	3.46	2.40	0.08	0.20	4.65
Other 1-4 family residential	1.76	3.83	3.44	0.24	1.37	0.78	1.31	0.42	0.24	2.11
Commercial and industrial loans	1.98	16.75	2.03	1.00	1.72	0.93	6.40	0.94	0.97	1.15
Loans to individuals	7.41	14.96	3.45	0.53	2.73	3.63	2.62	1.11	0.62	3.45
Credit card loans	13.13	15.01	6.69	3.03	8.42	11.36	5.45	5.66	2.34	10.31
Other loans to individuals	2.41	14.26	2.27	0.44	1.61	1.33	1.42	0.54	0.59	1.94
All other loans and leases (including farm)	0.92	0.01	1.11	0.00	1.35	0.40	2.20	0.82	0.28	0.58
Total loans and leases	2.84	14.26	2.50	0.44	1.88	1.15	2.67	0.54	0.42	2.29
Loans Outstanding (in billions)										
All real estate loans	$4,400.5	$0.1	$543.0	$68.6	$2,110.6	$431.2	$18.4	$6.8	$51.1	$1,170.6
Construction and development	418.0	0.0	9.0	4.4	308.9	8.4	0.5	0.6	3.4	82.8
Nonfarm nonresidential	1,090.4	0.0	31.5	19.7	799.9	25.7	0.7	2.3	12.5	198.1
Multifamily residential real estate	214.9	0.0	41.3	1.5	128.7	8.8	0.1	0.2	1.1	33.3
Home equity loans	659.6	0.0	134.2	1.5	223.4	26.4	9.6	0.2	2.2	262.0
Other 1-4 family residential	1,887.4	0.1	277.6	18.1	607.1	361.1	7.4	3.2	28.3	584.4
Commercial and industrial loans	1,187.6	33.4	196.0	15.2	568.3	9.2	4.0	1.3	7.0	353.2
Loans to individuals	1,380.7	585.6	208.5	6.0	231.3	20.8	49.8	1.3	7.4	269.9
Credit card loans	717.0	556.6	53.6	0.1	39.3	4.6	16.2	0.1	0.1	46.3
Other loans to individuals	663.7	29.0	154.9	5.9	192.0	16.2	33.5	1.2	7.3	223.6
All other loans and leases (including farm)	536.5	21.3	165.7	26.1	154.2	3.1	0.7	0.6	5.1	159.7
Total loans and leases (plus unearned income)	7,505.3	640.5	1,113.2	115.9	3,064.4	464.2	72.9	10.0	70.6	1,953.5
Memo: Other Real Estate Owned (in millions)										
All other real estate owned	46,263.3	-28.2	3,127.0	699.7	30,928.4	3,005.4	40.0	65.0	489.1	7,937.0
Construction and development	17,621.6	0.0	29.0	242.0	15,492.6	410.6	17.5	23.1	120.8	1,286.0
Nonfarm nonresidential	8,044.8	0.0	160.0	206.6	6,571.7	168.6	5.4	16.5	134.4	781.5
Multifamily residential real estate	2,655.8	0.0	784.0	33.9	1,204.1	29.9	0.3	3.3	24.0	576.4
1-4 family residential	14,552.7	0.1	1,219.0	163.7	6,697.4	2,070.8	16.7	20.1	195.9	4,169.0
Farmland	245.7	0.0	0.0	52.1	169.4	1.6	0.1	1.9	13.6	7.0
GNMA properties	2,996.4	0.0	750.0	1.6	782.8	344.6	0.0	0.0	0.4	1,117.0

* See Table IV-A (page 8) for explanations.
** Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status.

TABLE V-A. Loan Performance, All FDIC-Insured Institutions

		Asset Size Distribution				Geographic Regions*					
March 31, 2010	All Insured Institutions	Less than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	Greater than $10 Billion	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Percent of Loans 30-89 Days Past Due											
All loans secured by real estate	2.23	1.96	1.77	1.63	2.49	1.82	2.52	2.12	2.54	1.92	2.25
Construction and development	2.81	2.65	2.64	2.72	2.92	3.52	2.18	2.70	3.66	2.67	3.07
Nonfarm nonresidential	1.44	1.73	1.57	1.29	1.43	1.58	1.52	1.43	1.58	1.26	1.08
Multifamily residential real estate	1.28	1.90	1.36	1.45	1.20	1.29	1.33	1.22	1.80	1.17	1.08
Home equity loans	1.24	1.20	0.85	0.80	1.30	0.71	1.51	1.24	1.21	0.92	1.27
Other 1-4 family residential	3.07	2.27	1.94	1.81	3.49	2.00	3.73	3.06	3.59	2.53	3.31
Commercial and industrial loans	0.94	1.89	1.49	1.12	0.83	1.56	0.84	0.76	1.07	1.01	0.59
Loans to individuals	2.29	2.29	1.77	2.04	2.32	2.58	2.21	1.68	2.70	1.43	2.10
Credit card loans	2.61	2.42	2.31	2.29	2.62	2.65	2.50	2.32	3.02	0.99	2.30
Other loans to individuals	1.95	2.29	1.73	1.94	1.96	2.33	2.05	1.50	2.21	1.65	1.97
All other loans and leases (including farm)	0.64	1.19	0.92	0.75	0.59	0.55	0.43	0.71	1.17	0.77	0.23
Total loans and leases	1.92	1.89	1.70	1.56	2.02	1.94	2.08	1.70	2.22	1.67	1.74
Percent of Loans Noncurrent**											
All real estate loans	7.55	3.07	4.15	5.51	8.97	5.00	9.17	8.42	9.30	4.98	6.59
Construction and development	16.82	10.21	13.05	16.72	18.59	18.80	16.33	17.11	16.87	10.81	23.68
Nonfarm nonresidential	4.17	3.15	3.17	3.57	5.04	3.87	4.57	4.39	4.84	2.69	4.21
Multifamily residential real estate	4.62	2.91	3.37	4.16	5.08	3.32	7.14	4.48	5.03	3.98	4.49
Home equity loans	1.72	1.38	1.18	1.38	1.79	0.88	2.10	1.75	2.27	1.02	0.88
Other 1-4 family residential	10.17	2.23	2.75	4.21	12.58	4.75	12.92	13.40	14.14	5.58	7.66
Commercial and industrial loans	3.11	2.62	2.39	2.44	3.30	3.21	2.36	2.90	2.92	1.70	5.00
Loans to individuals	2.27	1.10	0.81	1.39	2.37	3.04	1.62	1.45	2.39	0.83	2.30
Credit card loans	3.09	1.91	1.50	2.13	3.13	3.37	2.93	3.00	3.04	1.22	2.62
Other loans to individuals	1.37	1.09	0.76	1.10	1.45	1.80	0.87	1.01	1.39	0.63	2.11
All other loans and leases (including farm)	1.65	0.98	1.12	1.31	1.74	1.28	0.99	2.00	1.20	1.42	2.74
Total loans and leases	5.45	2.65	3.64	4.59	5.94	4.03	6.52	5.99	6.18	3.90	5.07
Percent of Loans Charged-off (net, YTD)											
All real estate loans	2.04	0.51	0.79	1.72	2.46	1.10	2.75	2.25	2.14	1.21	2.17
Construction and development	5.32	2.29	2.61	6.08	6.16	5.41	5.24	6.42	4.23	3.23	8.00
Nonfarm nonresidential	0.97	0.44	0.47	1.01	1.22	0.90	1.07	1.12	0.67	0.56	1.34
Multifamily residential real estate	1.10	0.59	0.58	1.25	1.19	0.81	1.05	1.20	0.88	0.81	1.69
Home equity loans	3.12	0.48	0.66	1.07	3.48	0.83	4.73	2.22	4.06	1.64	2.69
Other 1-4 family residential	1.76	0.32	0.56	0.88	2.14	0.69	2.27	2.30	1.98	0.87	2.02
Commercial and industrial loans	1.98	1.09	1.17	1.49	2.17	3.14	1.53	2.26	1.78	0.99	1.83
Loans to individuals	7.41	0.70	1.48	3.10	7.98	12.28	5.28	3.00	10.28	2.03	4.03
Credit card loans	13.13	4.88	7.80	8.94	13.30	14.71	12.65	8.53	18.39	4.58	6.58
Other loans to individuals	2.41	0.64	1.04	1.14	2.66	5.31	1.90	1.45	2.16	0.93	2.47
All other loans and leases (including farm)	0.92	0.00	0.46	0.53	1.00	0.60	0.37	2.28	0.71	0.64	0.47
Total loans and leases	2.84	0.61	0.86	1.75	3.40	4.09	2.73	2.35	3.27	1.21	2.34
Loans Outstanding (in billions)											
All real estate loans	$4,400.5	$65.9	$704.1	$711.6	$2,918.9	$833.7	$1,081.6	$868.4	$645.9	$359.3	$611.6
Construction and development	418.0	5.6	90.9	100.7	220.8	57.7	133.0	70.3	55.9	59.4	41.8
Nonfarm nonresidential	1,090.4	19.8	269.5	278.0	523.0	221.9	247.7	196.0	153.7	125.0	146.2
Multifamily residential real estate	214.9	1.9	32.2	41.8	139.1	57.4	34.7	62.3	18.1	9.3	33.1
Home equity loans	659.6	2.2	38.7	50.0	568.7	86.0	193.6	178.1	117.3	24.5	60.1
Other 1-4 family residential	1,887.4	27.8	239.7	228.4	1,391.5	405.2	456.4	345.3	277.0	129.3	274.2
Commercial and industrial loans	1,187.6	12.5	112.8	141.2	921.1	182.1	275.7	253.4	175.7	90.4	210.3
Loans to individuals	1,380.7	6.7	42.1	76.1	1,255.8	433.2	232.8	192.9	235.9	44.1	241.8
Credit card loans	717.0	0.1	2.5	21.5	692.9	340.9	84.6	43.0	143.6	14.6	90.3
Other loans to individuals	663.7	6.6	39.6	54.5	563.0	92.4	148.2	149.8	92.3	29.4	151.5
All other loans and leases (including farm)	536.5	10.1	38.4	33.8	454.3	81.2	103.1	114.6	109.8	22.2	105.6
Total loans and leases (plus unearned income)	7,505.3	95.2	897.3	962.7	5,550.1	1,530.3	1,693.2	1,429.3	1,167.3	516.0	1,169.3
Memo: Other Real Estate Owned (in millions)											
All other real estate owned	46,263.3	1,061.4	12,295.9	10,232.8	22,673.2	3,693.0	13,639.5	9,797.5	7,560.0	4,862.8	6,710.5
Construction and development	17,621.6	367.6	6,113.7	5,568.0	5,572.3	1,064.1	5,840.7	2,684.4	2,625.3	2,418.3	2,988.8
Nonfarm nonresidential	8,044.8	294.4	2,823.0	2,065.5	2,862.0	828.5	1,899.7	1,828.0	1,302.3	1,055.7	1,130.5
Multifamily residential real estate	2,655.8	35.3	429.4	402.1	1,789.1	250.5	471.7	368.7	494.0	143.4	927.6
1-4 family residential	14,552.7	341.5	2,778.3	1,972.9	9,460.0	1,357.6	5,186.8	3,454.2	1,977.6	1,137.5	1,439.0
Farmland	245.7	21.1	150.2	52.9	21.4	15.9	35.3	31.7	45.8	90.1	26.8
GNMA properties	2,996.4	1.7	7.8	175.3	2,811.5	167.4	220.5	1,426.6	1,117.9	17.9	46.1

* See Table IV-A (page 9) for explanations.

** Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status.

TABLE VI-A. Derivatives, All FDIC-Insured Commercial Banks and State-Chartered Savings Banks

(dollar figures in millions; notional amounts unless otherwise indicated)	1st Quarter 2010	4th Quarter 2009	3rd Quarter 2009	2nd Quarter 2009	1st Quarter 2009	% Change 09Q1-10Q1	Asset Size Distribution: Less than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	Greater than $10 Billion
ALL DERIVATIVE HOLDERS										
Number of institutions reporting derivatives	1,146	1,130	1,175	1,214	1,170	-2.1	86	677	306	77
Total assets of institutions reporting derivatives	$10,766,357	$10,568,276	$10,546,529	$10,593,193	$10,671,375	0.9	$6,228	$291,379	$897,508	$9,571,242
Total deposits of institutions reporting derivatives	7,281,570	7,341,195	7,183,905	7,097,228	6,983,343	4.3	5,180	235,964	682,198	6,358,227
Total derivatives	218,074,225	213,563,342	210,008,291	208,656,901	206,742,719	5.5	223	18,120	98,455	217,957,427
Derivative Contracts by Underlying Risk Exposure										
Interest rate	181,997,144	179,565,445	176,204,154	175,648,997	172,763,155	5.3	212	17,697	94,572	181,884,663
Foreign exchange*	19,201,849	17,297,929	17,709,286	16,640,233	16,266,432	18.0	1	84	2,678	19,199,087
Equity	1,570,950	1,685,227	2,182,431	2,041,638	2,174,365	-27.8	11	161	878	1,569,900
Commodity & other (excluding credit derivatives)	939,818	978,922	926,295	909,250	938,063	0.2	0	116	134	939,568
Credit	14,364,464	14,035,819	12,986,125	13,416,784	14,600,703	-1.6	0	62	193	14,364,209
Total	218,074,225	213,563,342	210,008,291	208,656,901	206,742,719	5.5	223	18,120	98,455	217,957,427
Derivative Contracts by Transaction Type										
Swaps	136,341,268	142,022,036	139,477,065	137,993,983	135,835,552	0.4	30	9,792	79,969	136,251,478
Futures & forwards	34,096,746	26,495,662	24,944,757	25,885,385	24,744,597	37.8	81	3,552	7,800	34,085,313
Purchased options	15,757,712	15,151,690	15,424,802	15,020,266	15,053,701	4.7	10	760	3,202	15,753,740
Written options	15,908,657	15,113,322	15,063,184	14,859,851	15,106,838	5.3	102	3,900	7,053	15,897,602
Total	202,104,384	198,782,710	194,909,809	193,759,485	190,740,687	6.0	223	18,004	98,024	201,988,133
Fair Value of Derivative Contracts										
Interest rate contracts	94,822	96,997	122,592	123,696	134,105	-29.3	1	-8	89	94,740
Foreign exchange contracts	1,431	9,671	-5,037	-10,568	-10,459	N/M	0	0	-2	1,433
Equity contracts	-856	1,236	-253	670	3,103	N/M	0	3	6	-865
Commodity & other (excluding credit derivatives)	976	1,623	3,615	1,156	4,158	-76.5	0	8	2	966
Credit derivatives as guarantor	-121,491	-160,980	-234,357	-474,635	-959,080	N/M	0	0	2	-121,493
Credit derivatives as beneficiary	141,273	188,641	266,208	523,242	1,031,185	-86.3	0	0	-1	141,275
Derivative Contracts by Maturity**										
Interest rate contracts < 1 year	84,018,163	80,979,650	78,128,617	74,833,456	70,402,282	19.3	53	3,410	18,939	83,995,761
1-5 years	33,334,943	33,638,337	33,977,577	35,928,119	37,299,179	-10.6	13	7,280	27,991	33,299,659
> 5 years	24,119,801	26,141,316	26,620,986	28,371,872	30,000,656	-19.6	19	2,444	38,161	24,079,177
Foreign exchange contracts < 1 year	11,091,990	10,416,223	9,674,124	9,490,043	9,234,171	20.1	0	27	1,527	11,090,436
1-5 years	2,440,019	2,448,723	2,405,751	2,293,453	2,162,670	12.8	0	2	61	2,439,956
> 5 years	1,328,830	1,343,778	1,325,262	1,193,852	1,056,327	25.8	0	0	0	1,328,830
Equity contracts < 1 year	320,739	312,066	358,462	343,416	348,774	-8.0	3	29	130	320,577
1-5 years	220,441	227,854	301,995	291,182	286,171	-23.0	1	67	364	220,010
> 5 years	83,990	81,647	82,835	75,716	82,844	1.4	0	0	1	83,989
Commodity & other contracts < 1 year	287,748	261,429	237,860	252,705	279,748	2.9	0	85	53	287,610
1-5 years	177,250	223,654	233,829	211,329	206,173	-14.0	0	17	41	177,193
> 5 years	31,220	34,250	43,612	45,443	41,546	-24.9	0	0	0	31,220
Risk-Based Capital: Credit Equivalent Amount										
Total current exposure to tier 1 capital (%)	41.2	45.9	57.3	66.8	86.2		0.1	0.4	1.3	46.8
Total potential future exposure to tier 1 capital (%)	88.9	83.3	83.6	80.6	89.2		0.1	0.3	0.9	101.2
Total exposure (credit equivalent amount) to tier 1 capital (%)	130.2	129.2	140.9	147.3	175.3		0.2	0.7	2.2	148.0
Credit losses on derivatives***	103.6	767.1	605.3	384.7	217.1	-52.3	0.0	3.5	0.4	99.7
HELD FOR TRADING										
Number of institutions reporting derivatives	195	196	207	204	199	-2.0	10	64	67	54
Total assets of institutions reporting derivatives	8,950,711	8,873,819	8,911,543	8,911,914	9,016,071	-0.7	756	27,257	279,526	8,643,172
Total deposits of institutions reporting derivatives	6,096,651	6,145,431	6,014,547	5,990,076	5,886,779	3.6	614	21,671	211,387	5,862,979
Derivative Contracts by Underlying Risk Exposure										
Interest rate	180,117,242	177,717,171	174,199,745	173,339,084	170,603,660	5.6	25	884	50,687	180,065,647
Foreign exchange	17,462,255	16,437,639	15,510,657	15,051,809	14,759,077	18.3	0	0	1,989	17,460,266
Equity	1,563,707	1,677,767	2,175,796	2,034,228	2,162,149	-27.7	0	1	234	1,563,472
Commodity & other	932,983	974,849	924,183	906,325	935,634	-0.3	0	0	44	932,940
Total	200,076,187	196,807,425	192,810,380	191,331,447	188,460,521	6.2	25	885	52,953	200,022,325
Trading Revenues: Cash & Derivative Instruments										
Interest rate	304	-1,208	5,436	900	9,265	-96.7	0	0	17	287
Foreign exchange	3,906	2,560	-1,535	2,132	2,436	60.3	0	0	6	3,900
Equity	965	144	153	-92	854	13.0	0	0	1	964
Commodity & other (including credit derivatives)	3,004	417	1,648	2,320	-2,358	N/M	0	0	0	3,004
Total trading revenues	8,178	1,914	5,702	5,260	10,197	-19.8	0	0	24	8,154
Share of Revenue										
Trading revenues to gross revenues (%)	6.6	1.6	4.7	4.0	7.6		0.0	0.0	0.7	6.7
Trading revenues to net operating revenues (%)	74.0	100.2	88.1	96.9	138.0		0.0	0.0	-14.2	72.9
HELD FOR PURPOSES OTHER THAN TRADING										
Number of institutions reporting derivatives	1,028	1,010	1,048	1,086	1,048	-1.9	76	615	265	72
Total assets of institutions reporting derivatives	10,340,778	10,212,224	10,199,835	10,216,757	10,304,121	0.4	5,472	266,237	752,613	9,316,455
Total deposits of institutions reporting derivatives	7,031,798	7,098,524	6,955,097	6,847,472	6,730,432	4.5	4,566	215,652	570,211	6,241,369
Derivative Contracts by Underlying Risk Exposure										
Interest rate	1,879,902	1,848,275	2,004,409	2,309,913	2,159,495	-12.9	187	16,813	43,886	1,819,016
Foreign exchange	134,216	115,478	86,272	107,791	106,027	26.6	1	29	451	133,735
Equity	7,243	7,459	6,635	7,410	12,216	-40.7	11	161	644	6,428
Commodity & other	6,835	4,073	2,112	2,924	2,429	181.4	0	116	90	6,629
Total notional amount	2,028,197	1,975,285	2,099,429	2,428,038	2,280,166	-11.1	198	17,120	45,071	1,965,808

All line items are reported on a quarterly basis. N/M - Not Meaningful.

* Include spot foreign exchange contracts. All other references to foreign exchange contracts in which notional values or fair values are reported exclude spot foreign exchange contracts.

** Derivative contracts subject to the risk-based capital requirements for derivatives.

*** The reporting of credit losses on derivatives is applicable to all banks filing the FFIEC 031 report form and to those banks filing the FFIEC 041 report form that have $300 million or more in total assets.

TABLE VII-A. Servicing, Securitization, and Asset Sales Activities (All FDIC-Insured Commercial Banks and State-Chartered Savings Banks)

(dollar figures in millions)	1st Quarter 2010	4th Quarter 2009	3rd Quarter 2009	2nd Quarter 2009	1st Quarter 2009	% Change 09Q1-10Q1	Asset Size Distribution			
							Less than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	Greater than $10 Billion
Assets Securitized and Sold with Servicing Retained or with Recourse or Other Seller-Provided Credit Enhancements										
Number of institutions reporting securitization activities	132	143	143	140	132	0.0	19	61	23	29
Outstanding Principal Balance by Asset Type										
1-4 family residential loans	$1,194,691	$1,209,474	$1,225,694	$1,222,193	$1,230,735	-2.9	$232	$931	$2,045	$1,191,483
Home equity loans	167	5,947	6,205	6,594	6,595	-97.5	14	0	0	153
Credit card receivables	16,133	363,486	391,417	397,918	399,113	-96.0	0	861	0	15,272
Auto loans	600	7,182	8,277	10,266	11,862	-94.9	0	0	79	521
Other consumer loans	5,610	24,692	25,335	26,006	26,692	-79.0	0	0	0	5,610
Commercial and industrial loans	4,127	7,649	8,436	9,019	8,317	-50.4	1	10	594	3,522
All other loans, leases, and other assets	192,868	198,849	192,086	193,377	197,699	-2.4	4	41	143	192,681
Total securitized and sold	1,414,197	1,817,280	1,857,449	1,865,374	1,881,015	-24.8	252	1,843	2,861	1,409,242
Maximum Credit Exposure by Asset Type										
1-4 family residential loans	5,166	5,780	6,115	6,058	6,279	-17.7	2	11	55	5,098
Home equity loans	14	1,023	1,006	1,063	1,120	-98.8	14	0	0	0
Credit card receivables	730	134,193	136,043	129,373	39,100	-98.1	0	267	0	463
Auto loans	6	637	745	722	912	-99.3	0	0	6	0
Other consumer loans	237	1,410	1,434	1,399	1,429	-83.4	0	0	0	237
Commercial and industrial loans	95	225	274	184	367	-74.1	0	0	86	9
All other loans, leases, and other assets	257	287	333	299	301	-14.6	0	5	0	253
Total credit exposure	6,506	143,555	145,950	139,100	49,509	-86.9	17	282	147	6,060
Total unused liquidity commitments provided to institution's own securitizations	162	387	358	378	397	-59.2	1	0	2	159
Securitized Loans, Leases, and Other Assets 30-89 Days Past Due (%)										
1-4 family residential loans	3.9	4.4	4.6	4.3	4.1		4.0	1.1	2.5	3.9
Home equity loans	0.5	1.3	1.3	0.8	1.1		0.0	0.0	0.0	0.5
Credit card receivables	1.5	2.7	2.9	2.6	3.0		0.0	2.4	0.0	1.4
Auto loans	1.2	2.3	2.4	2.2	1.9		0.0	0.0	0.6	1.3
Other consumer loans	3.3	4.0	3.6	2.9	3.1		0.0	0.0	0.0	3.3
Commercial and industrial loans	0.3	2.3	2.9	2.6	3.1		0.0	16.8	1.5	0.0
All other loans, leases, and other assets	2.2	3.5	1.2	1.9	0.6		0.0	0.0	0.4	2.2
Total loans, leases, and other assets	3.6	4.0	3.9	3.7	3.5		3.7	1.8	2.1	3.6
Securitized Loans, Leases, and Other Assets 90 Days or More Past Due (%)										
1-4 family residential loans	8.5	7.9	7.5	6.6	5.7		1.6	0.4	3.2	8.6
Home equity loans	0.5	2.0	1.8	0.9	1.4		0.0	0.0	0.0	0.5
Credit card receivables	0.8	3.0	2.6	2.9	3.0		0.0	3.7	0.0	0.7
Auto loans	0.3	0.2	0.3	0.2	0.2		0.0	0.0	0.1	0.4
Other consumer loans	2.7	3.6	3.6	3.3	3.5		0.0	0.0	0.0	2.7
Commercial and industrial loans	0.1	1.0	1.2	1.3	3.1		0.0	0.0	0.7	0.0
All other loans, leases, and other assets	7.5	4.3	3.8	1.6	1.1		9.5	0.0	0.6	7.5
Total loans, leases, and other assets	8.3	6.4	5.9	5.2	4.6		1.7	1.9	2.5	8.3
Securitized Loans, Leases, and Other Assets Charged-off (net, YTD, annualized, %)										
1-4 family residential loans	0.2	1.0	0.7	0.5	0.2		0.0	0.0	0.0	0.2
Home equity loans	0.2	1.8	1.4	0.9	0.6		0.0	0.0	0.0	0.2
Credit card receivables	2.2	10.2	7.6	4.8	2.1		0.0	3.0	0.0	2.1
Auto loans	0.3	2.5	1.9	1.1	0.7		0.0	0.0	0.1	0.4
Other consumer loans	0.4	1.0	0.7	0.5	0.2		0.0	0.0	0.0	0.4
Commercial and industrial loans	0.0	13.9	10.0	6.9	2.6		0.0	0.0	0.0	0.0
All other loans, leases, and other assets	0.1	0.1	0.0	0.0	0.0		0.0	0.0	0.0	0.1
Total loans, leases, and other assets	0.2	2.8	2.1	1.4	0.6		0.0	1.4	0.0	0.2
Seller's Interests in Institution's Own Securitizations - Carried as Loans										
Home equity loans	0	316	396	134	165	-100.0	0	0	0	0
Credit card receivables	4,831	62,235	73,401	68,128	77,212	-93.7	0	53	0	4,778
Commercial and industrial loans	4	894	930	451	450	-99.1	0	2	1	0
Seller's Interests in Institution's Own Securitizations - Carried as Securities										
Home equity loans	0	1	2	4	5	-100.0	0	0	0	0
Credit card receivables	0	789	788	594	556	-100.0	0	0	0	0
Commercial and industrial loans	0	0	0	0	0	0.0	0	0	0	0
Assets Sold with Recourse and Not Securitized										
Number of institutions reporting asset sales	818	826	820	826	819	-0.1	158	501	115	44
Outstanding Principal Balance by Asset Type										
1-4 family residential loans	62,493	66,985	67,999	70,504	70,061	-10.8	1,066	9,401	4,212	47,813
Home equity, credit card receivables, auto, and other consumer loans	40	908	1,024	1,159	1,348	-97.0	0	20	3	17
Commercial and industrial loans	669	2,654	2,844	3,195	6,028	-88.9	1	43	15	610
All other loans, leases, and other assets	48,372	48,757	47,971	47,560	46,438	4.2	0	95	44	48,233
Total sold and not securitized	111,574	119,304	119,839	122,418	123,875	-9.9	1,067	9,559	4,273	96,674
Maximum Credit Exposure by Asset Type										
1-4 family residential loans	13,701	16,541	15,418	15,836	15,421	-11.2	110	1,237	2,433	9,920
Home equity, credit card receivables, auto, and other consumer loans	21	100	104	112	183	-88.5	0	7	1	12
Commercial and industrial loans	62	1,934	2,003	2,224	4,995	-98.8	1	32	15	14
All other loans, leases, and other assets	10,450	10,412	10,136	10,011	9,790	6.7	0	66	5	10,379
Total credit exposure	24,233	28,986	27,661	28,183	30,389	-20.3	111	1,342	2,455	20,325
Support for Securitization Facilities Sponsored by Other Institutions										
Number of institutions reporting securitization facilities sponsored by others	74	57	60	60	56	32.1	26	33	7	8
Total credit exposure	6,410	4,296	4,872	3,812	2,134	200.4	10	97	37	6,266
Total unused liquidity commitments	846	545	327	475	936	-9.6	0	0	0	846
Other										
Assets serviced for others*	6,034,911	6,010,532	5,977,515	5,878,337	5,681,694	6.2	3,968	119,605	94,369	5,816,968
Asset-backed commercial paper conduits										
Credit exposure to conduits sponsored by institutions and others	7,268	15,967	17,658	20,210	22,981	-68.4	5	0	68	7,195
Unused liquidity commitments to conduits sponsored by institutions and others	80,156	170,373	182,740	210,026	273,542	-70.7	0	0	1,272	78,884
Net servicing income (for the quarter)	4,844	8,019	5,995	10,845	5,946	-18.5	7	180	177	4,480
Net securitization income (for the quarter)	13	1,615	1,163	-142	2,124	-99.4	1	2	2	8
Total credit exposure to Tier 1 capital (%)**	3.3	15.9	16.2	15.8	7.7		0.8	1.4	1.9	3.9

* The amount of financial assets serviced for others, other than closed-end 1-4 family residential mortgages, is reported when these assets are greater than $10 million.
** Total credit exposure includes the sum of the three line items titled "Total credit exposure" reported above.

INSURANCE FUND INDICATORS

- ***Insured Deposits Grow by 1.3 Percent***
- ***DIF Reserve Ratio Rises 1 Basis Point to –0.38 Percent***
- ***Forty-one Institutions Fail during First Quarter***

Total assets of the nation's 7,932 FDIC-insured commercial banks and savings institutions increased by $248.6 billion (1.9 percent) during first quarter 2010, funded primarily by an increase in nondeposit liabilities. Total deposits decreased by $28.6 billion, with domestic deposits almost flat, decreasing by $5.1 billion (0.1 percent), and foreign office deposits declining by $23.5 billion (1.5 percent). Domestic noninterest-bearing deposits decreased by $26.4 billion (1.7 percent), and domestic time deposits decreased by $116.1 billion (4.9 percent). Savings deposits and interest-bearing checking accounts increased by $137.4 billion (3.6 percent) during the quarter. The share of assets funded by domestic deposits declined from 58.7 percent to 57.6 percent, and the share funded by foreign office deposits decreased from 11.7 percent to 11.3 percent. Federal Home Loan Bank (FHLB) advances as a percentage of total assets continued to decline, from 4.1 percent to 3.6 percent on March 31, 2010, the smallest percentage on record (2001 to present).

Brokered deposits decreased by $10.0 billion (1.6 percent) during the first quarter and decreased by $164.4 billion (21.2 percent) during the previous 12 months. Reciprocal brokered deposits decreased by $639.7 million (1.9 percent) to $33.3 billion during the three months ending March 31, 2010. Since the second quarter of 2009, the portion of brokered deposits exceeding 10 percent of an institution's domestic deposits has been included in the formula used to price deposit insurance.[1]

Since September 30, 2009, insured deposit estimates have been based on the temporary $250,000 deposit insurance coverage limit.[2] Estimated insured deposits (including U.S. branches of foreign banks) rose by $70.0 billion (1.3 percent) during first quarter 2010, down slightly from the previous quarter's 1.7 percent growth. For the most recent 12-month period, insured deposits increased by 13.1 percent ($631.5 billion), which includes the effect of the temporary increase in FDIC deposit insurance coverage. For institutions reporting at December 31, 2009 and March 31, 2010, insured deposits increased at 5,027 institutions (63 percent), decreased at 2,876 institutions (36 percent), and remained unchanged at 26 institutions.

The Deposit Insurance Fund (DIF) increased by $145 million during the first quarter to a negative $20.7 billion (unaudited). This was the first increase in the fund's balance since first quarter 2008. Accrued assessment income added $3.3 billion to the DIF during the first quarter. The fund received $62 million from interest on securities and $149 million from net unrealized gains and losses on available-for-sale securities. The biggest reduction in the DIF came from a $3.0 billion increase in additional provisions for bank failures. Operating and other expenses, net of other revenue, reduced the fund by $323 million.

The small increase in the DIF combined with average insured deposit growth raised the first quarter reserve ratio to −0.38 percent, 1 basis point higher than the previous quarter, but the reserve ratio is 65 basis points

[1] For an institution in Risk Category I, the initial base assessment rate is adjusted using the adjusted brokered deposit ratio. This ratio will exceed zero if an institution's brokered deposits are greater than 10 percent of its domestic deposits and its total assets are more than 40 percent greater than they were four years previously. Certain reciprocal brokered deposits are excluded from the calculation of the adjusted brokered deposit ratio. For an institution in any other risk category, the initial base assessment rate is increased if the institution's ratio of brokered deposits to domestic deposits is greater than 10 percent. Reciprocal brokered deposits are included in the amount of brokered deposits for purposes of computing this ratio.

[2] On May 20, 2009, the President signed the Helping Families Save Their Homes Act of 2009, which extended the temporary deposit insurance coverage limit increase to $250,000 for deposits other than retirement accounts (from the permanent limit of $100,000) through the end of 2013. The legislation also eliminated the provision in the Emergency Economic Stabilization Act of 2009 that prevented the FDIC from considering this temporary increase in deposit insurance coverage for purposes of setting deposit insurance assessments. Beginning September 30, 2009, insured deposit estimates are based on the $250,000 coverage limit.

lower than a year earlier. The fund's reserve ratio for March 31, 2010 (−0.38 percent) is the second lowest on record. Forty-one FDIC-insured institutions with combined assets of $22.1 billion failed during first quarter 2010, at an estimated cost of $6.3 billion. One hundred and sixty FDIC-insured institutions with combined assets of $182.4 billion failed during the latest 12 months, at an estimated cost of $39.6 billion.

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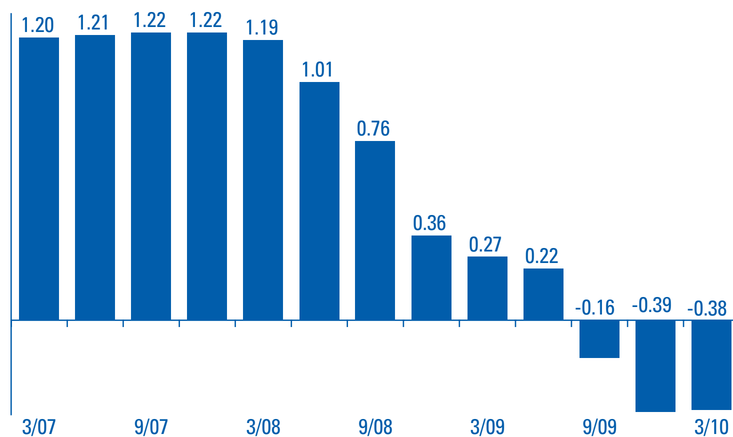
Table I-B. Insurance Fund Balances and Selected Indicators

(dollar figures in millions)	Deposit Insurance Fund												
	1st Quarter 2010*	4th Quarter 2009*	3rd Quarter 2009	2nd Quarter 2009	1st Quarter 2009	4th Quarter 2008	3rd Quarter 2008	2nd Quarter 2008	1st Quarter 2008	4th Quarter 2007	3rd Quarter 2007	2nd Quarter 2007	1st Quarter 2007
Beginning Fund Balance	-$20,862	-$8,243	$10,368	$13,007	$17,276	$34,588	$45,217	$52,843	$52,413	$51,754	$51,227	$50,745	$50,165
Changes in Fund Balance:													
Assessments earned	3,278	3,042	2,965	9,095	2,615	996	881	640	448	239	170	140	94
Interest earned on investment securities	62	76	176	240	212	277	526	651	618	585	640	748	567
Realized Gain on Sale of Investments	0	0	732	521	136	302	473	0	0	0	0	0	0
Operating expenses	345	379	328	298	266	290	249	256	238	262	243	248	239
Provision for insurance losses	3,021	17,766	21,694	11,615	6,637	19,163	11,930	10,221	525	39	132	-3	-73
All other income, net of expenses	22	2,721	308	375	2	15	16	1	0	-2	24	1	4
Unrealized gain/(loss) on available-for-sale securities	149	-313	-770	-957	-331	551	-346	1,559	127	138	68	-162	81
Total fund balance change	145	-12,619	-18,611	-2,639	-4,269	-17,312	-10,629	-7,626	430	659	527	482	580
Ending Fund Balance	-20,717	-20,862	-8,243	10,368	13,007	17,276	34,588	45,217	52,843	52,413	51,754	51,227	50,745
Percent change from four quarters earlier	NM	NM	NM	-77.07	-75.39	-67.04	-33.17	-11.73	4.13	4.48	3.52	3.36	3.15
Reserve Ratio (%)	-0.38	-0.39	-0.16	0.22	0.27	0.36	0.76	1.01	1.19	1.22	1.22	1.21	1.20
Estimated Insured Deposits**	5,462,644	5,392,677	5,304,695	4,817,614	4,831,129	4,775,133	4,558,937	4,468,240	4,439,491	4,292,940	4,243,129	4,235,314	4,245,447
Percent change from four quarters earlier	13.07	12.93	16.36	7.82	8.82	11.23	7.44	5.50	4.57	3.34	3.49	4.82	6.08
Domestic Deposits	7,709,420	7,714,167	7,564,731	7,571,019	7,567,128	7,529,934	7,244,167	7,036,919	7,078,340	6,922,406	6,748,520	6,699,156	6,702,779
Percent change from four quarters earlier	1.88	2.45	4.43	7.59	6.91	8.78	7.34	5.04	5.60	4.25	4.07	3.91	5.71
Number of institutions reporting	7,942	8,022	8,109	8,205	8,257	8,315	8,394	8,462	8,505	8,545	8,570	8,625	8,661

DIF Reserve Ratios
Percent of Insured Deposits



Deposit Insurance Fund Balance and Insured Deposits
($ Millions)

	DIF Balance	DIF-Insured Deposits
3/07	50,745	4,245,447
6/07	51,227	4,235,314
9/07	51,754	4,243,129
12/07	52,413	4,292,940
3/08	52,843	4,439,491
6/08	45,217	4,468,240
9/08	34,588	4,558,937
12/08	17,276	4,775,133
3/09	13,007	4,831,129
6/09	10,368	4,817,614
9/09	-8,243	5,304,695
12/09	-20,862	5,392,677
3/10	-20,717	5,462,644

Table II-B. Problem Institutions and Failed/Assisted Institutions

(dollar figures in millions)	2010****	2009****	2009	2008	2007	2006	2005
Problem Institutions							
Number of institutions	775	305	702	252	76	50	52
Total assets	$431,189	$220,047	$402,782	$159,405	$22,189	$8,265	$6,607
Failed Institutions							
Number of institutions	41	21	140	25	3	0	0
Total assets	$22,140	$9,498	$169,709	$371,945	$2,615	$0	$0
Assisted Institutions***							
Number of institutions	0	8	8	5	0	0	0
Total assets	$0	$1,917,482	$1,917,482	$1,306,042	0	0	0

* Preliminary unaudited fund data, which are subject to change. NM - Not meaningful

** The Emergency Economic Stabilization Act of 2008 directs the FDIC not to consider the temporary coverage increase to $250,000 in setting assessments. Therefore, we do not include the additional insured deposits in calculating the fund reserve ratio, which guides our assessment planning, from fourth quarter 2008 through second quarter 2009. The Helping Families Save Their Homes Act of 2009 eliminated the prohibition against the FDIC's taking the temporary increase into account when setting assessments. Beginning in the third quarter of 2009, estimates of insured deposits include the temporary coverage increase to $250,000.

***Assisted institutions represent five institutions under a single holding company that received assistance in 2008, and eight institutions under a different single holding company that received assistance in 2009.

****Through March 31.

Table III-B. Estimated FDIC-Insured Deposits by Type of Institution

(dollar figures in millions)

March 31, 2010	Number of Institutions	Total Assets	Domestic Deposits*	Est. Insured Deposits
Commercial Banks and Savings Institutions				
FDIC-Insured Commercial Banks	6,772	$12,086,503	$6,787,692	$4,649,672
FDIC-Supervised	4,485	1,952,489	1,482,631	1,185,569
OCC-Supervised	1,446	8,471,255	4,305,510	2,826,502
Federal Reserve-Supervised	841	1,662,760	999,551	637,601
FDIC-Insured Savings Institutions	1,160	1,270,122	904,055	803,066
OTS-Supervised Savings Institutions	755	950,168	667,393	596,399
FDIC-Supervised State Savings Banks	405	319,954	236,662	206,667
Total Commercial Banks and Savings Institutions	7,932	13,356,625	7,691,747	5,452,738
Other FDIC-Insured Institutions				
U.S. Branches of Foreign Banks	10	28,018	17,673	9,906
Total FDIC-Insured Institutions	7,942	13,384,643	7,709,420	5,462,644

* Excludes $1.51 trillion in foreign office deposits, which are uninsured.

Table IV-B. Distribution of Institutions and Domestic Deposits Among Risk Categories

Quarter Ending December 31, 2009

(dollar figures in billions)

	Annual Rate in Basis Points*	Number of Institutions	Percent of Total Institutions	Domestic Deposits	Percent of Total Domestic Deposits
Risk Category I	7.00–12.00	1,812	22.59	619	8.02
	12.01–14.00	1,629	20.31	2,129	27.60
	14.01–15.99	2,381	29.68	1,909	24.75
	16.00–24.00	259	3.23	349	4.53
Risk Category II	17.00–22.00	906	11.29	1,948	25.25
	22.01–43.00	307	3.83	447	5.79
Risk Category III	27.00–32.00	358	4.46	101	1.31
	32.01–58.00	187	2.33	125	1.61
Risk Category IV	40.00–45.00	107	1.33	36	0.46
	45.01–77.50	76	0.95	52	0.68

Note: Institutions are categorized based on supervisory ratings, debt ratings and financial data as of December 31, 2009. Rates do not reflect the application of assessment credits. See Notes to Users for further information on risk categories and rates.

* Assessment rates with a given risk category vary for several reasons, see 12 CFR Part 327 http://www.fdic.gov/deposit/insurance/initiative/09FinalAD35.pdf

TEMPORARY LIQUIDITY GUARANTEE PROGRAM

- ***Debt Guarantee Program Ended October 31, 2009***
- ***Transaction Account Guarantee Program Extended to December 31, 2010***
- ***$279 Billion Guaranteed in Transaction Accounts over $250,000***
- ***$305 Billion Outstanding in Debt Guarantee Program***

FDIC Responds to Market Disruptions with TLGP

The FDIC Board approved the Temporary Liquidity Guarantee Program (TLGP) on October 13, 2008, as major disruptions in credit markets blocked access to liquidity for financial institutions.[1] The TLGP improved access to liquidity through two programs: the Transaction Account Guarantee Program (TAGP), which fully guarantees noninterest-bearing transaction deposit accounts above $250,000, regardless of dollar amount; and the Debt Guarantee Program (DGP), which guarantees eligible senior unsecured debt issued by eligible institutions.

All insured depository institutions were eligible to participate in the TAGP. Institutions eligible for participation in the DGP were insured depository institutions, U.S. bank holding companies, certain U.S. savings and loan holding companies, and other affiliates of insured depository institutions that the FDIC designated as eligible entities.

FDIC Extends Guarantee Programs

Although financial markets improved significantly in the first half of 2009, portions of the industry were still affected by the recent economic turmoil. To facilitate the orderly phase-out of the TLGP, and to continue access to FDIC guarantees where they were needed, the FDIC Board extended both the DGP and TAGP.

On March 17, 2009, the Board of Directors of the FDIC voted to extend the deadline for issuance of guaranteed debt from June 30, 2009, to October 31, 2009, and extended the expiration date of the guarantee to the earlier of maturity of the debt or December 31, 2012, from June 30, 2012. The FDIC imposed a surcharge on debt issued with a maturity of one year or more beginning in second quarter 2009.[2] The Board adopted a final rule on October 20, 2009, that allowed the DGP to expire on October 31, 2009.[3]

A final rule extending the TAGP six months, to June 30, 2010, was adopted on August 26, 2009. Entities participating in the TAGP had the opportunity to opt out of the extended program. Depository institutions that remain in the extended program are subject to increased fees that are adjusted to reflect the institution's risk.[4]

On April 13, 2010, the FDIC adopted an interim final rule extending the TAGP for another six months, through December 31, 2010. Under the rule, the FDIC may extend the program for an additional 12 months without further rulemaking.[5]

Program Funded by Industry Fees and Assessments

The TLGP does not rely on taxpayer funding or the Deposit Insurance Fund. Both the TAGP and the DGP are paid for by direct user fees. Institutions participating in the TAGP through year-end 2009 were assessed an annual fee of 10 basis points. Fees for qualifying noninterest-bearing transaction accounts guaranteed between January 1, 2010, and June 30, 2010, are based on the participating entity's risk category assignment under the FDIC's risk-based premium system. Annualized fees are 15, 20, or 25 basis points, depending on an institution's risk category.

Fees for participation in the DGP were based on the maturity of debt issued and ranged from 50 to 100 basis points (annualized). A surcharge was imposed on debt issued with a maturity of one year or greater after April 1, 2009. For debt that was not issued under the exten-

[1] The FDIC invoked the systemic risk exception pursuant to section 141 of the Federal Deposit Improvement Act of 1991, 12 U.S.C 1823(c)(4) on October 13, 2008. For further information on the TLGP, see http://www.fdic.gov/regulations/resources/TLGP/index.html.

[2] See http://www.fdic.gov/news/board/Mar1709rule.pdf.

[3] See http://www.fdic.gov/regulations/laws/federal/2009/09finalAD37Oct23.pdf.

[4] See http://www.fdic.gov/news/board/aug26no3.pdf.

[5] See http://www.fdic.gov/news/news/press/2010/pr10075.html.

sion, that is, debt issued on or before June 30, 2009, and maturing on or before June 30, 2012, surcharges were 10 basis points (annualized) on debt issued by insured depository institutions and 20 basis points (annualized) on debt issued by other participating entities. For debt issued under the extension, that is, debt issued after June 30, 2009, or debt that matures after June 30, 2012, surcharges were 25 basis points (annualized) on debt issued by insured depository institutions and 50 basis points (annualized) on debt issued by other participating entities. As of March 31, 2010, fees totaling $10.4 billion had been assessed under the DGP.

A Majority of Eligible Entities Have Chosen to Participate in the TLGP

Almost 80 percent of FDIC-insured institutions opted in to the TAGP extension through June 30, 2010. More than half of all eligible entities elected to opt in to the DGP. Lists of institutions that opted out of the guarantee programs are posted at http://www.fdic.gov/regulations/resources/TLGP/optout.html.

$279 Billion in Transaction Accounts over $250,000 Guaranteed

According to first quarter 2010 Call and Thrift Financial Reports, insured institutions reported 305,302 noninterest-bearing transaction accounts over $250,000, about half the number of accounts reported at year-end 2009. These deposit accounts totaled $356 billion, of which $279 billion was guaranteed under the TAGP. More than 5,500 FDIC-insured institutions reported noninterest-bearing transaction accounts over $250,000 in value.

$305 Billion in FDIC-Guaranteed Debt Was Outstanding at March 31, 2010

Seventy-nine financial entities—49 insured depository institutions and 30 bank and thrift holding companies and nonbank affiliates—had $305 billion in guaranteed debt outstanding at the end of first quarter 2010. Some banking groups issued FDIC-guaranteed debt at both the subsidiary and holding company level, but most guaranteed debt was issued by holding companies or nonbank affiliates of depository institutions. Bank and thrift holding companies and nonbank affiliates issued 81 percent of FDIC-guaranteed debt outstanding at March 31, 2010.

Debt outstanding at March 31, 2010, had longer term at issuance, compared to debt outstanding at year-end 2008. Less than 1 percent of debt outstanding matures in 180 days or less, compared to 49 percent at year-end 2008; and 79 percent matures more than two years after issuance, compared to 39 percent at December 31, 2008. Among types of debt instruments, 91 percent was in medium-term notes, compared to 44 percent at year-end. The share of outstanding debt in commercial paper fell to less than 0.1 percent from 43 percent at year-end 2008.

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Table I-C. Participation in Temporary Liquidity Guarantee Program

March 31, 2010	Total Eligible Entities	Number Opting In	Percent Opting In
Transaction Account Guarantee Program Extension to June 30, 2010			
Depository Institutions with Assets <= $10 Billion	7,835	6,258	79.9%
Depository Institutions with Assets > $10 Billion	107	67	62.6%
Total Depository Institutions*	7,942	6,325	79.6%
Debt Guarantee Program			
Depository Institutions with Assets <= $10 Billion	7,835	4,161	53.1%
Depository Institutions with Assets > $10 Billion	107	96	89.7%
Total Depository Institutions*	7,942	4,257	53.6%
Bank and Thrift Holding Companies and Non-Insured Affiliates	6,071	3,421	56.3%
All Entities	14,013	7,678	54.8%

* Depository institutions include insured branches of foreign banks (IBAs).

Table II-C. Cap on FDIC-Guaranteed Debt for Opt-In Entities

March 31, 2010 (dollar figures in millions)	Opt-In Entities with Senior Unsecured Debt Outstanding at 9/30/2008			Opt-In Depository Institutions with no Senior Unsecured Debt at 9/30/2008			
	Number	Debt Amount as of 9/30/2008	Initial Cap	Number	2% Liabilities as of 9/30/2008	Total Entities	Total Initial Cap
Depository Institutions with Assets <= $10 Billion*	114	$3,507	$4,384	4,047	$31,211	4,161	$35,595
Depository Institutions with Assets > $10 Billion*	39	269,228	336,535	57	24,392	96	360,927
Bank and Thrift Holding Companies, Noninsured Affiliates	83	397,727	497,158	3,338	N/A	3,421	497,158
Total	236	670,462	838,078	7,442	55,603	7,678	893,681

* Depository institutions include insured branches of foreign banks (IBAs).

N/A - Not applicable

Table III-C. Transaction Account Guarantee Program

(dollar figures in millions)	Mar. 31, 2009	June 30, 2009	Sep. 30, 2009	Dec. 31, 2009	Mar. 31, 2010	% Change 09Q4-10Q1
Number of Noninterest-Bearing Transaction Accounts over $250,000	586,910	681,429	646,997	687,741	305,302	-55.6%
Amount in Noninterest-Bearing Transaction Accounts over $250,000	$854,934	$903,762	$926,401	$1,007,010	$355,800	-64.7%
Amount Guaranteed	$708,207	$733,405	$764,652	$835,074	$279,475	-66.5%

Table IV-C. Debt Outstanding in Guarantee Program

March 31, 2010 (dollar figures in millions)	Number	Debt Outstanding	Cap[1] for Group	Debt Outstanding Share of Cap
Insured Depository Institutions				
Assets <= $10 Billion	32	$1,593	$2,852	55.8%
Assets > $10 Billion	17	55,881	210,244	26.6%
Bank and Thrift Holding Companies, Noninsured Affiliates	30	247,903	387,487	64.0%
All Issuers	79	305,376	600,582	50.8%

[1] The amount of FDIC-guaranteed debt that can be issued by each eligible entity, or its "cap," is based on the amount of senior unsecured debt outstanding as of September 30, 2008. The cap for a depository institution with no senior unsecured debt outstanding at September 30, 2008, is set at 2 percent of total liabilities. See http://www2.fdic.gov/qbp/2008dec/tlgp2c.html for more information.

Table V-C. Fees Assessed Under TLGP

(dollar figures in millions)	Debt Guarantee Program			Transaction Account Guarantee Program*
	Fees Assessed	Surcharges	Total Fee Amount	Fees Collected
Fourth Quarter 2008	$3,437		$3,437	
First Quarter 2009	3,433		3,433	90
Second Quarter 2009	1,413	385	1,797	179
Third Quarter 2009	691	280	971	182
Fourth Quarter 2009	503	207	709	188
First Quarter 2010**	14		14	207
Total	$9,491	$872	$10,363	$846

* Pro-rated payment in arrears.
** A review of data systems led us to recognize a nominal fee amount that had been dropped in error from previously reported amounts.

Table VI-C. Term at Issuance of Debt Instruments Outstanding

March 31, 2010 (dollar figures in millions)	Commercial Paper	Interbank Eurodollar Deposits	Medium Term Notes	Other Interbank Deposits	Other Senior Unsecured Debt	Other Term Note	All Debt	*Share by Term*
Term at Issuance								
90 days or less	$0	$0	$0	$0	$0	$0	$0	*0.0%*
91-180 days	0	0	0	2	0	0	2	*0.0%*
181-364 days	0	0	0	65	1	1	67	*0.0%*
1-2 years	0	0	57,876	3	0	4,773	62,651	*20.5%*
Over 2-3 years	0	0	80,447	0	3,352	6,005	89,803	*29.4%*
Over 3 years	1	0	139,985	4	3,713	9,151	152,853	*50.1%*
Total	**1**	**0**	**278,307**	**74**	**7,065**	**19,929**	**305,376**	
Share of Total	*0.0%*	*0.0%*	*91.1%*	*0.0%*	*2.3%*	*6.5%*		

Notes to Users

This publication contains financial data and other information for depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). These notes are an integral part of this publication and provide information regarding the comparability of source data and reporting differences over time.

Tables I-A through VIII-A.

The information presented in Tables I-A through V-A of the *FDIC Quarterly Banking Profile* is aggregated for all FDIC-insured institutions, both commercial banks and savings institutions. Tables VI-A (Derivatives) and VII-A (Servicing, Securitization, and Asset Sales Activities) aggregate information only for insured commercial banks and state-chartered savings banks that file quarterly Call Reports. Table VIII-A (Trust Services) aggregates Trust asset and income information collected annually from all FDIC-insured institutions. Some tables are arrayed by groups of FDIC-insured institutions based on predominant types of asset concentration, while other tables aggregate institutions by asset size and geographic region. Quarterly and full-year data are provided for selected indicators, including aggregate condition and income data, performance ratios, condition ratios, and structural changes, as well as past due, noncurrent, and charge-off information for loans outstanding and other assets.

Tables I-B through IV-B.

A separate set of tables (Tables I-B through IV-B) provides comparative quarterly data related to the Deposit Insurance Fund (DIF), problem institutions, failed/assisted institutions, estimated FDIC-insured deposits, as well as assessment rate information. Depository institutions that are not insured by the FDIC through the DIF are not included in the *FDIC Quarterly Banking Profile*. U.S. branches of institutions headquartered in foreign countries and non-deposit trust companies are not included unless otherwise indicated. Efforts are made to obtain financial reports for all active institutions. However, in some cases, final financial reports are not available for institutions that have closed or converted their charters.

DATA SOURCES

The financial information appearing in this publication is obtained primarily from the Federal Financial Institutions Examination Council (FFIEC) *Consolidated Reports of Condition and Income* (*Call Reports)* and the OTS *Thrift Financial Reports* submitted by all FDIC-insured depository institutions. This information is stored on and retrieved from the FDIC's Research Information System (RIS) data base.

COMPUTATION METHODOLOGY

Parent institutions are required to file consolidated reports, while their subsidiary financial institutions are still required to file separate reports. Data from subsidiary institution reports are included in the *Quarterly Banking Profile* tables, which can lead to double-counting. No adjustments are made for any double-counting of subsidiary data. Additionally, certain adjustments are made to the OTS *Thrift Financial Reports* to provide closer conformance with the reporting and accounting requirements of the FFIEC *Call Reports*.

All asset and liability figures used in calculating performance ratios represent average amounts for the period (beginning-of-period amount plus end-of-period amount plus any interim periods, divided by the total number of periods). For "pooling-of-interest" mergers, the assets of the acquired institution(s) are included in average assets since the year-to-date income includes the results of all merged institutions. No adjustments are made for "purchase accounting" mergers. Growth rates represent the percentage change over a 12-month period in totals for institutions in the base period to totals for institutions in the current period.

All data are collected and presented based on the location of each reporting institution's main office. Reported data may include assets and liabilities located outside of the reporting institution's home state. In addition, institutions may relocate across state lines or change their charters, resulting in an inter-regional or inter-industry migration, e.g., institutions can move their home offices between regions, and savings institutions can convert to commercial banks or commercial banks may convert to savings institutions.

ACCOUNTING CHANGES

Extended Net Operating Loss Carryback Period – The Worker, Homeownership, and Business Assistance Act of 2009, which was enacted on November 6, 2009, permits banks and other businesses, excluding those banking organizations that received capital from the U.S. Treasury under the Troubled Asset Relief Program, to elect a net operating loss carryback period of three, four, or five years instead of the usual carryback period of two years for any one tax year ending after December 31, 2007, and beginning before January 1, 2010. For calendar year banks, this extended carryback period applies to either the 2008 or 2009 tax year. The amount of the net operating loss that can be carried back to the fifth carryback year is limited to 50 percent of the available taxable income for that fifth year, but this limit does not apply to other carryback years.

Under generally accepted accounting principles, banks may not record the effects of this tax change in their balance sheets and income statements for financial and regulatory reporting purposes until the period in which the law was enacted, i.e., the fourth quarter of 2009. Therefore, banks should recognize the effects of this fourth quarter 2009 tax law change on their current and deferred tax assets and liabilities, including valuation allowances for deferred tax assets, in their Call Reports for December 31, 2009. Banks should not amend their Call Reports for prior quarters for the effects of the extended net operating loss carryback period.

The American Recovery and Reinvestment Act of 2009, which was enacted on February 17, 2009, permits qualifying small businesses, including FDIC-insured institutions, to elect a net operating loss carryback period of three, four, or five years instead of the usual carryback period of two years for any tax year ending in 2008 or, at the small business's election, any tax year beginning in 2008. Under generally accepted accounting principles, institutions may not record the effect of this tax change in their balance sheets and income statements for financial and regulatory reporting purposes until the period in which the law was enacted, i.e., the first quarter of 2009.

Other-Than-Temporary Impairment – When the fair value of an investment in a debt or equity security is less than its cost basis, the impairment is either temporary or other-than-

temporary. To determine whether the impairment is other-than-temporary, an institution must apply other pertinent guidance such as paragraph 16 of FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*; FASB Staff Position (FSP) FAS 115-1 and FAS 124-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*; FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*; paragraph 6 of Accounting Principles Board Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*; Emerging Issues Task Force (EITF) Issue No. 99-20, *Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets*; and FSP EITF 99-20-1, *Amendments to the Impairment Guidance of EITF Issue No. 99-20*.

Under FSP FAS 115-2 and FAS 124-2 issued on April 9, 2009, if the present value of cash flows expected to be collected on a debt security is less than its amortized cost basis, a credit loss exists. In this situation, if an institution does not intend to sell the security and it is not more likely than not that the institution will be required to sell the debt security before recovery of its amortized cost basis less any current-period credit loss, an other-than-temporary impairment has occurred. The amount of the total other-than-temporary impairment related to the credit loss must be recognized in earnings, but the amount of the total impairment related to other factors must be recognized in other comprehensive income, net of applicable taxes. Although the debt security would be written down to its fair value, its new amortized cost basis is the previous amortized cost basis less the other-than-temporary impairment recognized in earnings. In addition, if an institution intends to sell a debt security whose fair value is less than its amortized costs basis or it is more likely than not that the institution will be required to sell the debt security before recovery of its amortized cost basis, an other-than-temporary impairment has occurred and the entire difference between the security's amortized cost basis and its fair value must be recognized in earnings.

For any debt security held at the beginning of the interim period in which FSP FAS 115-2 and FAS 124-2 is adopted for which an other-than-temporary impairment loss has been previously recognized, if an institution does not intend to sell such a debt security and it is not more likely than not that the institution will be required to sell the debt security before recovery of its amortized cost basis, the institution should recognize the cumulative effect of initially applying the FSP as an adjustment to the interim period's opening balance of retained earnings, net of applicable taxes, with a corresponding adjustment to accumulated other comprehensive income. The cumulative effect on retained earnings must be calculated by comparing the present value of the cash flows expected to be collected on the debt security with the security's amortized cost basis as of the beginning of the interim period of adoption.

FSP FAS 115-2 and FAS 124-2 are effective for interim and annual reporting periods ending after June 15, 2009. Early adoption of this FSP is permitted for periods ending after March 15, 2009, if certain conditions are met. Institutions are expected to adopt FSP FAS 115-2 and 124-2 for regulatory reporting purposes in accordance with the FSP's effective date.

Business Combinations and Noncontrolling (Minority) Interests – In December 2007, the FASB issued Statement No. 141 (Revised), *Business Combinations* (FAS 141(R)), and Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (FAS 160). Under FAS 141(R), all business combinations, including combinations of mutual entities, are to be accounted for by applying the acquisition method. FAS 160 defines a noncontrolling interest, also called a minority interest, as the portion of equity in an institution's subsidiary not attributable, directly or indirectly, to the parent institution. FAS 160 requires an institution to clearly present in its consolidated financial statements the equity ownership in and results of its subsidiaries that are attributable to the noncontrolling ownership interests in these subsidiaries. FAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Similarly, FAS 160 is effective for fiscal years beginning on or after December 15, 2008. Thus, for institutions with calendar year fiscal years, these two accounting standards take effect in 2009. Beginning in March 2009, Institution equity capital and Noncontrolling interests are separately reported in arriving at Total equity capital and Net income.

FASB Statement No. 157 *Fair Value Measurements* issued in September 2006 and FASB Statement No. 159 *The Fair Value Option for Financial Assets and Financial Liabilities* issued in February 2007 – both are effective in 2008 with early adoption permitted in 2007. FAS 157 defines fair value and establishes a framework for developing fair value estimates for the fair value measurements that are already required or permitted under other standards. FASB FSP 157-4, issued in April 2009, provides additional guidance for estimating fair value in accordance with FAS 157 when the volume and level of activity for the asset or liability have significantly decreased. The FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. The FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009.

Fair value continues to be used for derivatives, trading securities, and available-for-sale securities. Changes in fair value go through earnings for trading securities and most derivatives. Changes in the fair value of available-for-sale securities are reported in other comprehensive income. Available-for-sale securities and held-to-maturity debt securities are written down to fair value if impairment is other than temporary and loans held for sale are reported at the lower of cost or fair value.

FAS 159 allows institutions to report certain financial assets and liabilities at fair value with subsequent changes in fair value included in earnings. In general, an institution may elect the fair value option for an eligible financial asset or liability when it first recognizes the instrument on its balance sheet or enters into an eligible firm commitment.

FASB Statement No. 158 *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* – issued in September 2006 requires a bank to recognize in 2007, and subsequently, the funded status of its postretirement plans on its balance sheet. An overfunded plan is recognized as an asset and an underfunded plan is recognized as a liability. An adjustment is made to equity as accumulated other comprehensive income (AOCI) upon application of FAS 158, and AOCI is adjusted

in subsequent periods as net periodic benefit costs are recognized in earnings.

FASB Statement No. 156 *Accounting for Servicing of Financial Assets* – issued in March 2006 and effective in 2007, requires all separately recognized servicing assets and liabilities to be initially measured at fair value and allows a bank the option to subsequently adjust that value by periodic revaluation and recognition of earnings or by periodic amortization to earnings.

FASB Statement No. 155 *Accounting for Certain Hybrid Financial Instruments* – issued in February 2006, requires bifurcation of certain derivatives embedded in interests in securitized financial assets and permits fair value measurement (i.e., a fair value option) for any hybrid financial instrument that contains an embedded derivative that would otherwise require bifurcation under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* (FAS 133). In addition, FAS 155 clarifies which interest-only and principal-only strips are not subject to FAS 133.

Purchased Impaired Loans and Debt Securities – Statement of Position 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*. The SOP applies to loans and debt securities acquired in fiscal years beginning after December 15, 2004. In general, this Statement of Position applies to "purchased impaired loans and debt securities" (i.e., loans and debt securities that a bank has purchased, including those acquired in a purchase business combination, when it is probable, at the purchase date, that the bank will be unable to collect all contractually required payments receivable). Banks must follow Statement of Position 03-3 for Call Report purposes. The SOP does not apply to the loans that a bank has originated, prohibits "carrying over" or creation of valuation allowances in the initial accounting, and any subsequent valuation allowances reflect only those losses incurred by the investor after acquisition.

GNMA Buy-back Option – If an issuer of GNMA securities has the option to buy back the loans that collateralize the GNMA securities, when certain delinquency criteria are met, FASB Statement No. 140 requires that loans with this buy-back option must be brought back on the issuer's books as assets. The rebooking of GNMA loans is required regardless of whether the issuer intends to exercise the buy-back option. The banking agencies clarified in May 2005 that all GNMA loans that are rebooked because of delinquency should be reported as past due according to their contractual terms.

FASB Statements 166 & 167 – In June 2009, the FASB issued Statement No. 166, Accounting for Transfers of Financial Assets (FAS 166), and Statement No. 167, Amendments to FASB Interpretation No. 46(R) (FAS 167), which change the way entities account for securitizations and special purpose entities. FAS 166 revises FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, by eliminating the concept of a "qualifying special-purpose entity," creating the concept of a "participating interest," changing the requirements for derecognizing financial assets, and requiring additional disclosures. FAS 167 revises FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities, by changing how a bank or other company determines when an entity that is insufficiently capitalized or is not controlled through voting or similar rights, i.e., a "variable interest entity" (VIE), should be consolidated. Under FAS 167, a bank must perform a qualitative assessment to determine whether its variable interest or interests give it a controlling financial interest in a VIE. If a bank's variable interest or interests provide it with the power to direct the most significant activities of the VIE, and the right to receive benefits or the obligation to absorb losses that could potentially be significant to the VIE, the bank is the primary beneficiary of, and therefore must consolidate, the VIE.

Both FAS 166 and FAS 167 take effect as of the beginning of each bank's first annual reporting period that begins after November 15, 2009, for interim periods therein, and for interim and annual reporting periods thereafter (i.e., as of January 1, 2010, for banks with a calendar year fiscal year). Earlier application is prohibited. Banks are expected to adopt FAS 166 and FAS 167 for Call Report purposes in accordance with the effective date of these two standards. Also, FAS 166 has modified the criteria that must be met in order for a transfer of a portion of a financial asset, such as a loan participation, to qualify for sale accounting. These changes apply to transfers of loan participations on or after the effective date of FAS 166. Therefore, banks with a calendar year fiscal year must account for transfers of loan participations on or after January 1, 2010, in accordance with FAS 166. In general, loan participations transferred before the effective date of FAS 166 (January 1, 2010, for calendar year banks) are not affected by this new accounting standard and pre-FAS 166 participations that were properly accounted for as sales under FASB Statement No. 140 will continue to be reported as having been sold.

FASB Interpretation No. 48 on Uncertain Tax Positions – FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), was issued in June 2006 as an interpretation of FASB Statement No. 109, *Accounting for Income Taxes*. Under FIN 48, the term "tax position" refers to "a position in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities." FIN 48 further states that a "tax position can result in a permanent reduction of income taxes payable, a deferral of income taxes otherwise currently payable to future years, or a change in the expected realizability of deferred tax assets." FIN 48 was originally issued effective for fiscal years beginning after December 15, 2006. Banks must adopt FIN 48 for Call Report purposes in accordance with the interpretation's effective date except as follows. On December 31, 2008, the FASB decided to defer the effective date of FIN 48 for eligible nonpublic enterprises and to require those enterprises to adopt FIN 48 for annual periods beginning after December 15, 2008. A nonpublic enterprise under certain conditions is eligible for deferral, even if it opted to issue interim or quarterly financial information in 2007 under earlier guidance that reflected the adoption of FIN 48.

FASB Statement No. 123 (Revised 2004) and Share-Based Payments – refer to previously published Quarterly Banking Profile notes: http://www2.fdic.gov/qbp/2008dec/qbpnot.html

FASB Statement No. 133 *Accounting for Derivative Instruments and Hedging Activities* – refer to previously published Quarterly Banking Profile notes: http://www2.fdic.gov/qbp/2008dec/qbpnot.html

DEFINITIONS (in alphabetical order)

All other assets – total cash, balances due from depository institutions, premises, fixed assets, direct investments in real estate, investment in unconsolidated subsidiaries, customers' liability on acceptances outstanding, assets held in trading accounts, federal funds sold, securities purchased with agreements to resell, fair market value of derivatives, prepaid deposit insurance assessments, and other assets.

All other liabilities – bank's liability on acceptances, limited-life preferred stock, allowance for estimated off-balance-sheet credit losses, fair market value of derivatives, and other liabilities.

Assessment base – assessable deposits consist of DIF deposits (deposits insured by the FDIC Deposit Insurance Fund) in banks' domestic offices with certain adjustments).

Assets securitized and sold – total outstanding principal balance of assets securitized and sold with servicing retained or other seller- provided credit enhancements.

Capital Purchase Program (CPP) – As announced in October 2008 under the TARP, the Treasury Department purchase of noncumulative perpetual preferred stock and related warrants that is treated as Tier 1 capital for regulatory capital purposes is included in "Total equity capital." Such warrants to purchase common stock or noncumulative preferred stock issued by publicly-traded banks are reflected as well in "Surplus." Warrants to purchase common stock or noncumulative preferred stock of not-publicly-traded bank stock classified in a bank's balance sheet as "Other liabilities."

Construction and development loans – includes loans for all property types under construction, as well as loans for land acquisition and development.

Core capital – common equity capital plus noncumulative perpetual preferred stock plus minority interest in consolidated subsidiaries, less goodwill and other ineligible intangible assets. The amount of eligible intangibles (including servicing rights) included in core capital is limited in accordance with supervisory capital regulations.

Cost of funding earning assets – total interest expense paid on deposits and other borrowed money as a percentage of average earning assets.

Credit enhancements – techniques whereby a company attempts to reduce the credit risk of its obligations. Credit enhancement may be provided by a third party (external credit enhancement) or by the originator (internal credit enhancement), and more than one type of enhancement may be associated with a given issuance.

Deposit Insurance Fund (DIF) – The Bank (BIF) and Savings Association (SAIF) Insurance Funds were merged in 2006 by the Federal Deposit Insurance Reform Act to form the DIF.

Derivatives notional amount – The notional, or contractual, amounts of derivatives represent the level of involvement in the types of derivatives transactions and are not a quantification of market risk or credit risk. Notional amounts represent the amounts used to calculate contractual cash flows to be exchanged.

Derivatives credit equivalent amount – the fair value of the derivative plus an additional amount for potential future credit exposure based on the notional amount, the remaining maturity and type of the contract.

Derivatives transaction types:

Futures and forward contracts – contracts in which the buyer agrees to purchase and the seller agrees to sell, at a specified future date, a specific quantity of an underlying variable or index at a specified price or yield. These contracts exist for a variety of variables or indices, (traditional agricultural or physical commodities, as well as currencies and interest rates). Futures contracts are standardized and are traded on organized exchanges which set limits on counterparty credit exposure. Forward contracts do not have standardized terms and are traded over the counter.

Option contracts – contracts in which the buyer acquires the right to buy from or sell to another party some specified amount of an underlying variable or index at a stated price (strike price) during a period or on a specified future date, in return for compensation (such as a fee or premium). The seller is obligated to purchase or sell the variable or index at the discretion of the buyer of the contract.

Swaps – obligations between two parties to exchange a series of cash flows at periodic intervals (settlement dates), for a specified period. The cash flows of a swap are either fixed, or determined for each settlement date by multiplying the quantity (notional principal) of the underlying variable or index by specified reference rates or prices. Except for currency swaps, the notional principal is used to calculate each payment but is not exchanged.

Derivatives underlying risk exposure – the potential exposure characterized by the level of banks' concentration in particular underlying instruments, in general. Exposure can result from market risk, credit risk, and operational risk, as well as, interest rate risk.

Domestic deposits to total assets – total domestic office deposits as a percent of total assets on a consolidated basis.

Earning assets – all loans and other investments that earn interest or dividend income.

Efficiency ratio – Noninterest expense less amortization of intangible assets as a percent of net interest income plus noninterest income. This ratio measures the proportion of net operating revenues that are absorbed by overhead expenses, so that a lower value indicates greater efficiency.

Estimated insured deposits – in general, insured deposits are total domestic deposits minus estimated uninsured deposits. Beginning March 31, 2008, for institutions that file Call reports, insured deposits are total assessable deposits minus estimated uninsured deposits. Beginning September 30, 2009, insured deposits include deposits in accounts of $100,000 to $250,000 that are covered by a temporary increase in the FDIC's standard maximum deposit insurance amount (SMDIA).

Failed/assisted institutions – an institution fails when regulators take control of the institution, placing the assets and liabilities into a bridge bank, conservatorship, receivership, or another healthy institution. This action may require the FDIC to provide funds to cover losses. An institution is defined as "assisted" when the institution remains open and receives assistance in order to continue operating.

Fair Value – the valuation of various assets and liabilities on the balance sheet—including trading assets and liabilities, available-for-sale securities, loans held for sale, assets and liabilities accounted for under the fair value option, and fore-

closed assets—involves the use of fair values. During periods of market stress, the fair values of some financial instruments and nonfinancial assets may decline.

FHLB advances – all borrowings by FDIC insured institutions from the Federal Home Loan Bank System (FHLB), as reported by Call Report filers and by TFR filers.

Goodwill and other intangibles – intangible assets include servicing rights, purchased credit card relationships, and other identifiable intangible assets. Goodwill is the excess of the purchase price over the fair market value of the net assets acquired, less subsequent impairment adjustments. Other intangible assets are recorded at fair value, less subsequent quarterly amortization and impairment adjustments.

Loans secured by real estate – includes home equity loans, junior liens secured by 1-4 family residential properties, and all other loans secured by real estate.

Loans to individuals – includes outstanding credit card balances and other secured and unsecured consumer loans.

Long-term assets (5+ years) – loans and debt securities with remaining maturities or repricing intervals of over five years.

Maximum credit exposure – the maximum contractual credit exposure remaining under recourse arrangements and other seller-provided credit enhancements provided by the reporting bank to securitizations.

Mortgage-backed securities – certificates of participation in pools of residential mortgages and collateralized mortgage obligations issued or guaranteed by government-sponsored or private enterprises. Also, see "Securities," below.

Net charge-offs – total loans and leases charged off (removed from balance sheet because of uncollectibility), less amounts recovered on loans and leases previously charged off.

Net interest margin – the difference between interest and dividends earned on interest-bearing assets and interest paid to depositors and other creditors, expressed as a percentage of average earning assets. No adjustments are made for interest income that is tax exempt.

Net loans to total assets – loans and lease financing receivables, net of unearned income, allowance and reserves, as a percent of total assets on a consolidated basis.

Net operating income – income excluding discretionary transactions such as gains (or losses) on the sale of investment securities and extraordinary items. Income taxes subtracted from operating income have been adjusted to exclude the portion applicable to securities gains (or losses).

Noncurrent assets – the sum of loans, leases, debt securities, and other assets that are 90 days or more past due, or in nonaccrual status.

Noncurrent loans & leases – the sum of loans and leases 90 days or more past due, and loans and leases in nonaccrual status.

Number of institutions reporting – the number of institutions that actually filed a financial report.

New charters – insured institutions filing quarterly financial reports for the first time.

Other borrowed funds – federal funds purchased, securities sold with agreements to repurchase, demand notes issued to the U.S. Treasury, FHLB advances, other borrowed money, mortgage indebtedness, obligations under capitalized leases and trading liabilities, less revaluation losses on assets held in trading accounts.

Other real estate owned – primarily foreclosed property. Direct and indirect investments in real estate ventures are excluded. The amount is reflected net of valuation allowances. For institutions that file a Thrift Financial Report (TFR), the valuation allowance subtracted also includes allowances for other repossessed assets. Also, for TFR filers the components of other real estate owned are reported gross of valuation allowances.

Percent of institutions with earnings gains – the percent of institutions that increased their net income (or decreased their losses) compared to the same period a year earlier.

"Problem" institutions – federal regulators assign a composite rating to each financial institution, based upon an evaluation of financial and operational criteria. The rating is based on a scale of 1 to 5 in ascending order of supervisory concern. "Problem" institutions are those institutions with financial, operational, or managerial weaknesses that threaten their continued financial viability. Depending upon the degree of risk and supervisory concern, they are rated either a "4" or "5." The number and assets of "problem" institutions are based on FDIC composite ratings. Prior to March 31, 2008, for institutions whose primary federal regulator was the OTS, the OTS composite rating was used.

Recourse – an arrangement in which a bank retains, in form or in substance, any credit risk directly or indirectly associated with an asset it has sold (in accordance with generally accepted accounting principles) that exceeds a pro rata share of the bank's claim on the asset. If a bank has no claim on an asset it has sold, then the retention of any credit risk is recourse.

Reserves for losses – the allowance for loan and lease losses on a consolidated basis.

Restructured loans and leases – loan and lease financing receivables with terms restructured from the original contract. Excludes restructured loans and leases that are not in compliance with the modified terms.

Retained earnings – net income less cash dividends on common and preferred stock for the reporting period.

Return on assets – bank net income (including gains or losses on securities and extraordinary items) as a percentage of average total (consolidated) assets. The basic yardstick of bank profitability.

Return on equity – bank net income (including gains or losses on securities and extraordinary items) as a percentage of average total equity capital.

Risk-based capital groups – definition:

(Percent)	Total Risk-Based Capital*		Tier 1 Risk-Based Capital*		Tier 1 Leverage		Tangible Equity
Well-capitalized	≥10	*and*	≥6	*and*	≥5		–
Adequately capitalized	≥8	*and*	≥4	*and*	≥4		–
Undercapitalized	≥6	*and*	≥3	*and*	≥3		–
Significantly undercapitalized	<6	*or*	<3	*or*	<3	*and*	>2
Critically undercapitalized	–		–		–		≤2

* As a percentage of risk-weighted assets.

Risk Categories and Assessment Rate Schedule – The current risk categories became effective January 1, 2007. Capital ratios and supervisory ratings distinguish one risk category from another. The following table shows the relationship of risk categories (I, II, III, IV) to capital and supervisory groups as well as the initial base assessment rates (in basis points), effective April 1, 2009 for each risk category. Supervisory Group A generally includes institutions with CAMELS composite ratings of 1 or 2; Supervisory Group B generally includes institutions with a CAMELS composite rating of 3; and Supervisory Group C generally includes institutions with CAMELS composite ratings of 4 or 5. For purposes of risk-based assessment capital groups, undercapitalized includes institutions that are significantly or critically undercapitalized.

<table>
<tr><th rowspan="2">Capital Category</th><th colspan="3">Supervisory Group</th></tr>
<tr><th>A</th><th>B</th><th>C</th></tr>
<tr><td>1. Well Capitalized</td><td>I
12–16 bps</td><td rowspan="2">II
22 bps</td><td rowspan="2">III
32 bps</td></tr>
<tr><td>2. Adequately Capitalized</td><td>II
22 bps</td></tr>
<tr><td>3. Undercapitalized</td><td colspan="2">III
32 bps</td><td>IV
45 bps</td></tr>
</table>

Effective April 1, 2009, the initial base assessment rates are 12 to 45 basis points. An institution's total assessment rate may be less than or greater than its initial base assessment rate as a result of additional risk adjustments.

The base assessment rates for most institutions in Risk Category I are based on a combination of financial ratios and CAMELS component ratings (the financial ratios method).

For large institutions in Risk Category I (generally those with at least $10 billion in assets) that have long-term debt issuer ratings, assessment rates are determined by equally weighting the institution's CAMELS component ratings, long-term debt issuer ratings, and the financial ratios method assessment rate. For all large Risk Category I institutions, additional risk factors are considered to determine whether assessment rates should be adjusted. This additional information includes market data, financial performance measures, considerations of the ability of an institution to withstand financial stress, and loss severity indicators. Any adjustment is limited to no more than one basis point.

Effective April 1, 2009, the FDIC introduced three possible adjustments to an institution's initial base assessment rate: (1) a decrease of up to 5 basis points for long-term unsecured debt and, for small institutions, a portion of Tier 1 capital; (2) an increase not to exceed 50 percent of an institution's assessment rate before the increase for secured liabilities in excess of 25 percent of domestic deposits; and (3) for non-Risk Category I institutions, an increase not to exceed 10 basis points for brokered deposits in excess of 10 percent of domestic deposits. After applying all possible adjustments, minimum and maximum total base assessment rates for each risk category are as follows:

Total Base Assessment Rates*

	Risk Category I	Risk Category II	Risk Category III	Risk Category IV
Initial base assessment rate	12–16	22	32	45
Unsecured debt adjustment	-5–0	-5–0	-5–0	-5–0
Secured liability adjustment	0–8	0–11	0–16	0–22.5
Brokered deposit adjustment	–	0–10	0–10	0–10
Total base assessment rate	7–24.0	17–43.0	27–58.0	40–77.5

*All amounts for all risk categories are in basis points annually. Total base rates that are not the minimum or maximum rate will vary between these rates.

Beginning in 2007, each institution is assigned a risk-based rate for a quarterly assessment period near the end of the quarter following the assessment period. Payment is generally due on the 30th day of the last month of the quarter following the assessment period. Supervisory rating changes are effective for assessment purposes as of the examination transmittal date. For institutions with long-term debt issuer ratings, changes in ratings are effective for assessment purposes as of the date the change was announced.

Special Assessment – On May 22, 2009, the FDIC board approved a final rule that imposed a 5 basis point special assessment as of June 30, 2009. The special assessment was levied on each insured depository institution's assets minus its Tier 1 capital as reported in its report of condition as of June 30, 2009. The special assessment will be collected September 30, 2009, at the same time that the risk-based assessment for the second quarter of 2009 is collected. The special assessment for any institution was capped at 10 basis points of the institution's assessment base for the second quarter of 2009 risk-based assessment.

Prepaid Deposit Insurance Assessments – On November 12, 2009, the FDIC Board of Directors adopted a final rule requiring insured depository institutions (except those that are exempted) to prepay their quarterly risk-based deposit insurance assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012, on December 30, 2009. Each institution's regular risk-based deposit insurance assessment for the third quarter of 2009, which is paid in arrears, also is payable on December 30, 2009.

Risk-weighted assets – assets adjusted for risk-based capital definitions which include on-balance-sheet as well as off-balance-sheet items multiplied by risk-weights that range from zero to 200 percent. A conversion factor is used to assign a balance sheet equivalent amount for selected off-balance-sheet accounts.

Securities – excludes securities held in trading accounts. Banks' securities portfolios consist of securities designated as "held-to-maturity," which are reported at amortized cost (book value), and securities designated as "available-for-sale," reported at fair (market) value.

Securities gains (losses) – realized gains (losses) on held-to-maturity and available-for-sale securities, before adjustments for income taxes. Thrift Financial Report (TFR) filers also include gains (losses) on the sales of assets held for sale.

Seller's interest in institution's own securitizations – the reporting bank's ownership interest in loans and other assets that have been securitized, except an interest that is a form of recourse or other seller-provided credit enhancement. Seller's interests differ from the securities issued to investors by the securitization structure. The principal amount of a seller's interest is generally equal to the total principal amount of the pool of assets included in the securitization structure less the principal amount of those assets attributable to investors, i.e., in the form of securities issued to investors.

Subchapter S Corporation – a Subchapter S corporation is treated as a pass-through entity, similar to a partnership, for federal income tax purposes. It is generally not subject to any federal income taxes at the corporate level. This can have the effect of reducing institutions' reported taxes and increasing their after-tax earnings.

Temporary Liquidity Guarantee Program (TLGP) – was approved by the FDIC Board on October 13, 2008. The TLGP was designed to help relieve the crisis in the credit markets by giving banks access to liquidity during a time of global financial distress. Participation in the TLGP is voluntary. The TLGP has two components:

Transaction Account Guarantee Program (TAGP) provides a full guarantee of non-interest-bearing deposit transaction accounts above $250,000, at depository institutions that elected to participate in the program. On August 26, 2009, the FDIC Board voted to extend the TAGP six months beyond its original expiration date to June 30, 2010. (On April 13, 2010, the FDIC Board adopted an interim rule extending the TAG program for six months through December 31, 2010, with a possibility of an additional 12-month extension, through December 31, 2011.)

Debt Guarantee Program (DGP) provides a full guarantee of senior unsecured debt[1] issued by eligible institutions after October 14, 2008. Initially, debt issued before June 30, 2009, and maturing on or before June 30, 2012, could be guaranteed. On March 17, 2009, the deadline for issuance under the program was extended to October 31, 2009, and the expiration of the guarantee was set at the earlier of maturity of the debt or December 31, 2012. Institutions eligible for participation in the debt guarantee program include insured depository institutions, U.S. bank holding companies, certain U.S. savings and loan holding companies, and other affiliates of an insured depository institution that the FDIC designates as eligible entities. The FDIC Board adopted a final rule on October 20, 2009, that established a limited six-month emergency guarantee facility upon expiration of the DGP.

Trust assets – market value, or other reasonably available value of fiduciary and related assets, to include marketable securities, and other financial and physical assets. Common physical assets held in fiduciary accounts include real estate, equipment, collectibles, and household goods. Such fiduciary assets are not included in the assets of the financial institution.

Unearned income & contra accounts – unearned income for Call Report filers only.

Unused loan commitments – includes credit card lines, home equity lines, commitments to make loans for construction, loans secured by commercial real estate, and unused commitments to originate or purchase loans. (Excluded are commitments after June 2003 for originated mortgage loans held for sale, which are accounted for as derivatives on the balance sheet.)

Volatile liabilities – the sum of large-denomination time deposits, foreign-office deposits, federal funds purchased, securities sold under agreements to repurchase, and other borrowings.

Yield on earning assets – total interest, dividend, and fee income earned on loans and investments as a percentage of average earning assets.

[1] Senior unsecured debt generally includes term Federal funds purchased, promissory notes, commercial paper, unsubordinated unsecured notes, certificates of deposit (CDs) standing to the credit of a bank, and U.S. dollar denominated bank deposits owed to an insured depository institution.

Feature Article:

A Template for Success: The FDIC's Small-Dollar Loan Pilot Program

Introduction

The Federal Deposit Insurance Corporation's (FDIC) two-year Small-Dollar Loan Pilot Program concluded in the fourth quarter of 2009. The pilot was a case study designed to illustrate how banks can profitably offer affordable small-dollar loans as an alternative to high-cost credit products such as payday loans and fee-based overdraft programs.[1] This article summarizes the results of the pilot, outlines the lessons learned and the potential strategies for expanding the supply of affordable small-dollar loans, and highlights pilot bank successes through case studies.

Since the pilot began, participating banks made more than 34,400 small-dollar loans with a principal balance of $40.2 million. Overall, small-dollar loan default rates were in line with default rates for similar types of unsecured loans. A key lesson learned was that most pilot bankers use small-dollar loan products as a cornerstone for building or retaining long-term banking relationships. In addition, long-term support from a bank's board and senior management was cited as the most important element for programmatic success. Almost all of the pilot bankers indicated that small-dollar lending is a useful business strategy and that they will continue their small-dollar loan programs beyond the pilot.

A Safe, Affordable, and Feasible Template for Small-Dollar Loans

The pilot resulted in a template of essential product design and delivery elements for safe, affordable, and feasible small-dollar loans that can be replicated by other banks (see Figure 1). While each component of the template is important, participating bankers reported that a longer loan term is key to program success because it provides more time for consumers to recover from a financial emergency than the single pay cycle for payday loans, or the immediate repayment often required for fee-based overdrafts.

Figure 1

A Safe, Affordable, and Feasible Template for Small-Dollar Loans

Product Element	Parameters
Amount	$2,500 or less
Term	90 days or more
Annual Percentage Rate (APR)	36 percent or less
Fees	Low or none; origination and other upfront fees plus interest charged equate to APR of 36 percent or less
Underwriting	Streamlined with proof of identity, address, and income, and a credit report to determine loan amount and repayment ability; loan decision within 24 hours
Optional Features	Mandatory savings and financial education

Source: FDIC.

FDIC Chairman Sheila C. Bair has expressed a desire to determine how safe and affordable small-dollar lending can be expanded and become more of a staple product for all banks.[2] Pilot banks have demonstrated that the Safe, Affordable, and Feasible Small-Dollar Loan Template is relatively simple to implement and requires no particular technology or other major infrastructure investment. Moreover, adoption of the template could help banks better adhere to existing regulatory guidance regarding offering alternatives to fee-based overdraft protection programs.[3] Specifically, this guidance suggests that banks should "monitor excessive consumer usage (of overdrafts), which may indicate a need for

[1] See previous articles on the Small-Dollar Loan Pilot Program, "An Introduction to the FDIC's Small-Dollar Loan Pilot Program," *FDIC Quarterly* 2, no. 3 (2008), http://www.fdic.gov/bank/analytical/quarterly/2008_vol2_3/2008_Quarterly_Vol2No3.html; and "The FDIC's Small-Dollar Loan Pilot Program: A Case Study after One Year," *FDIC Quarterly* 3, no. 2 (2009), http://www.fdic.gov/bank/analytical/quarterly/2009_vol3_2/smalldollar.html.

[2] See opening comments from FDIC Chairman Sheila C. Bair at the December 2, 2009, FDIC Advisory Committee on Economic Inclusion Meeting, at http://www.vodium.com/MediapodLibrary/index.asp?library=pn100472_fdic_advisorycommittee&SessionArgs=0A1U0100000100000101.

[3] "Overdraft Protection Programs, Joint Agency Guidance," Financial Institution Letter, February 18, 2005, http://www.fdic.gov/news/news/financial/2005/fil1105.html.

Table 1

Small-Dollar Loan Pilot Program Participants			
Bank	Location	Total Assets ($000s)	Number of Branches
Amarillo National Bank	Amarillo, TX	2,792,382	16
Armed Forces Bank	Fort Leavenworth, KS	862,852	52
Bank of Commerce	Stilwell, OK	93,672	3
BankFive	Fall River, MA	708,545	13
BankPlus	Belzoni, MS	2,144,987	61
BBVA Bancomer USA*	Diamond Bar, CA	139,327	25
Benton State Bank	Benton, WI	45,780	3
Citizens Trust Bank	Atlanta, GA	387,130	11
Citizens Union Bank	Shelbyville, KY	715,927	18
Community Bank of Marshall	Marshall, MO	98,478	6
Community Bank - Wheaton/Glen Ellyn	Glen Ellyn, IL	340,628	4
The First National Bank of Fairfax	Fairfax, MN	27,539	1
Kentucky Bank	Paris, KY	676,239	15
Lake Forest Bank & Trust	Lake Forest, IL	1,816,422	8
Liberty Bank and Trust Company	New Orleans, LA	423,624	24
Liberty National Bank	Paris, TX	245,262	3
Mitchell Bank	Milwaukee, WI	73,623	5
National Bank of Kansas City	Overland Park, KS	708,191	6
Oklahoma State Bank	Guthrie, OK	43,228	4
Pinnacle Bank	Lincoln, NE	2,538,702	57
Red River Bank	Alexandria, LA	795,889	16
State Bank of Alcester	Alcester, SD	94,263	1
State Bank of Countryside	Countryside, IL	913,111	6
The Heritage Bank	Hinesville, GA	982,012	32
The Savings Bank	Wakefield, MA	417,081	9
Washington Savings Bank	Lowell, MA	164,724	3
Webster Five Cents Savings Bank	Webster, MA	559,762	8
Wilmington Trust	Wilmington, DE	9,609,666	44

Source: FDIC.

Note: Data as of fourth quarter 2009.

*BBVA Bancomer USA merged into Compass Bank (Birmingham, AL) in September 2009. Data shown are the latest available for BBVA, as of June 30, 2009.

alternative credit arrangements or other services, and inform consumers of these available options" that could include small-dollar credit products.

Background

The Small-Dollar Loan Pilot Program pilot began with 31 banks, and several banks entered and exited as the pilot progressed. The pilot concluded with 28 participating banks ranging in size from $28 million to nearly $10 billion (see Table 1). The banks have more than 450 offices across 27 states. Before being accepted into the pilot program, banks had to submit an application, describe their programs, and meet certain supervisory criteria.[4] About one-third of the banks in the pilot had existing small-dollar loan programs at the time of their applications, while the rest instituted new programs in conjunction with the pilot. The FDIC anticipated that most programs would be consistent with the Affordable Small-Dollar Loan Guidelines (SDL Guidelines), but it offered banks some flexibility to encourage innovation.[5]

The pilot was a case study and does not represent a statistical sample of the banking universe. Pilot bankers provided some basic information about their programs each quarter.[6] Some data, such as number and volume of loans originated, were relatively straightforward to obtain and aggregate. To obtain more subjective or

[4] "An Introduction to the FDIC's Small-Dollar Loan Pilot Program" described pilot program application parameters. See footnote 1.

[5] FDIC, "Affordable Small-Dollar Loan Guidelines," news release, June 19, 2007, http://www.fdic.gov/news/news/press/2007/pr07052a.html. The primary product features described in the guidelines included loan amounts up to $1,000, payment periods beyond a single paycheck cycle, annual percentage rates below 36 percent, low or no origination fees, streamlined underwriting, prompt loan application processing, an automatic savings component, and access to financial education.

[6] The information collection request complied with the Paperwork Reduction Act; it did not include account-level information, in accordance with the Right to Financial Privacy Act. See the *Federal Register* citation at http://www.fdic.gov/regulations/laws/federal/2007/07noticeJune7.html for a description of the information collection process.

otherwise difficult-to-quantify information, the FDIC held periodic one-on-one discussions and group conference calls with bank management.

The pilot tracked two types of loans: small-dollar loans (SDLs) of $1,000 or less and nearly small-dollar loans (NSDLs) between $1,000 and $2,500. Data collection was initially concentrated in the SDL category, in accordance with the SDL Guidelines. Data collection was expanded for the NSDL category after the first year of the pilot, when some bankers relayed to the FDIC the importance of these loans to their business plans. In particular, they indicated that some of their customers needed and could qualify for larger loans and that these loans cost the same to originate and service as SDLs, but resulted in higher revenues. Some bankers conducted only SDL or NSDL programs, and some conducted both types. In this article, the terms "small-dollar lending" and "small-dollar loans" refer to banks' overall programs, regardless of which category of loan they originated.

Pilot Results

During the two-year pilot, participating banks made more than 18,100 SDLs with a principal balance of $12.4 million and almost 16,300 NSDLs with a principal balance of nearly $27.8 million (see Table 2). As of the end of the pilot in fourth quarter 2009, 7,307 SDLs totaling $3.3 million and 7,224 NSDLs totaling $9.2 million were outstanding. Quarterly origination volumes were affected by seasoning of newer programs, periodic changes some banks made to their programs, banks exiting and entering the pilot, seasonality of demand, and local economic conditions.

Loan Volume

Table 3 shows loan volume data for fourth quarter 2009 by originator size. Because several banks with longstanding programs had disproportionately large origination volumes, results for banks originating 50 or more loans per quarter were isolated from the rest of the group to prevent skewing the loan volume. Interestingly, several banks with new programs produced enough volume to move into the large originator category.

Smaller originators made, on average, 10 SDLs in fourth quarter 2009, compared with 9 SDLs in the third quarter, 13 SDLs in the second quarter, and 15 SDLs in the first quarter. Smaller originators made, on average, 11 NSDLs in fourth quarter 2009, versus 18, 13, and 13 loans in the third, second, and first quarters of 2009, respectively.

Table 2

Small-Dollar Loan Pilot Program Cumulative Statistics

	SDL Originations		NSDL Originations	
	Number	Amount ($)	Number	Amount ($)
1Q08	1,523	1,013,118	1,617	2,696,996
2Q08	2,388	1,495,661	1,918	3,202,358
3Q08	2,225	1,502,456	2,113	3,651,934
4Q08	2,210	1,492,273	2,033	3,434,906
1Q09	1,650	1,079,999	1,745	2,943,952
2Q09	2,229	1,553,296	2,389	4,135,785
3Q09	2,928	2,135,767	2,178	3,744,603
4Q09	3,010	2,168,295	2,301	3,972,694
Total	**18,163**	**$12,440,864**	**16,294**	**$27,783,227**

Source: FDIC.

Loan Characteristics

While the application process did not preclude open-ended credit, all banks in the pilot offered only closed-end installment loans. Basic loan characteristics, such as interest rates, fees, and repayment terms, did not vary between large and smaller originators. Therefore, there is no distinction made for origination volume in the fourth-quarter loan characteristics data shown in Table 4.

Loan terms remained fairly consistent from quarter to quarter. For example, the average loan amount for SDLs was approximately $700, and the average term was 10 to 12 months. The average loan amount for NSDLs was approximately $1,700, and the average term was 14 to 16 months. Average interest rates for both types of loans ranged between 13 and 16 percent, and the most common interest rate charged was 18 percent. About half of the banks charged an origination fee (the average fee was $31 for SDLs and $46 for NSDLs), and when this fee was added to the interest rate, all banks were within the targeted 36 percent annual percentage rate.

Loan Performance

The delinquency ratio for SDLs climbed to 11 percent in fourth quarter 2009 from a relatively stable rate of about 9 percent for much of 2009.[7] The fourth quarter increase in SDL delinquencies is attributed largely to adverse economic conditions in bank communities. The delinquency ratio for NSDLs has also been high, though somewhat volatile, again due to adverse local economic conditions. As of fourth quarter 2009, the NSDL delinquency ratio was 9.4 percent compared with 10.9 percent in the third quarter, 6.4 percent in the second quarter, and 6.6 percent in first quarter 2009. Delin-

[7] Delinquency refers to loans 30 days or more past due.

Table 3

Small-Dollar Loan Pilot 4Q09: Origination Data by Program Size

	Number of Banks Reporting	Total	Average	Minimum	Maximum
Loans up to $1,000 (SDLs)					
All Banks					
# of Notes	22	3,010	111	1	1675
Note Volume	22	$2,168,295	$98,559	$500	$1,140,660
Banks Originating Fewer Than 50 Loans					
# of Notes	15	146	10	1	26
Note Volume	15	$99,880	$6,659	$500	$15,800
Banks Originating More Than 50 Loans					
# of Notes	7	2,864	409	51	1,675
Note Volume	7	$2,068,415	$337,437	$38,700	$1,140,660
Loans over $1,000 (NSDLs)					
All Banks					
# of Notes	12	2,301	192	1	1,151
Note Volume	12	$3,972,694	$331,058	$1,200	$1,942,837
Banks Originating Fewer Than 50 Loans					
# of Notes	7	78	11	1	38
Note Volume	7	$135,064	$19,295	$1,200	$64,868
Banks Originating More Than 50 Loans					
# of Notes	5	2,223	445	109	1,151
Note Volume	5	$3,837,630	$767,526	$193,355	$1,942,837

Source: FDIC.

Table 4

Small-Dollar Loan Pilot 4Q09: Summary of Loan Characteristics

	Number of Banks Reporting	Average	Minimum	Maximum
Loans up to $1,000				
Loan amount	22	$724	$445	$1,000
Term (months)	22	12	2	24
Interest rate	22	13.09%	4.00%	31.90%
Non-zero fees	9	$31	$8	$70
Loans over $1,000				
Loan amount	12	$1,727	$1,200	$2,070
Term (months)	12	15	10	24
Interest rate	12	13.99%	4.00%	33.53%
Non-zero fees	6	$46	$15	$70

Source: FDIC.

quency ratios for both SDLs and NSDLs are much higher than for general unsecured "loans to individuals." According to the FDIC Call Report, delinquency ratios for those loans were 2.5 percent in fourth quarter 2009, 2.6 percent in the third quarter, 2.4 percent in the second quarter, and 2.5 percent in the first quarter.

However, charge-off ratios for SDLs and NSDLs, although climbing, are in line with the industry average. For SDLs, the final, cumulative charge-off ratio was 6.2 percent as of fourth quarter 2009 versus 5.7 percent in the third quarter, 5.2 percent in the second quarter, and 4.3 percent in the first quarter.[8] These compare with ratios of 5.4 percent, 5.4 percent, 5.3 percent, and 4.9 percent for unsecured "loans to individuals,"

[8] Cumulative charge-off ratios for SDLs are calculated from the beginning of the pilot period.

according to fourth, third, second, and first quarter 2009 Call Reports, respectively.

The cumulative charge-off rate for NSDLs, at 8.8 percent, is higher than for SDLs and general unsecured loans to individuals.[9] However, the charge-off rate for these larger loans compares favorably with other types of unsecured credit. For example, the charge-off rate for "credit cards" on bank balance sheets was 9.1 percent as of the fourth quarter 2009 Call Report, and defaults on managed credit cards exceeded 10 percent throughout 2009.[10] Performance statistics of loans originated during the pilot show that while small-dollar loan borrowers are more likely to have trouble paying loans on time, they have a default risk similar to those in the general population.

Lessons Learned

Best practices and elements of success emerged from the pilot and underpin the Safe, Affordable, and Feasible Small-Dollar Loan Template. In particular, a dominant business model emerged: most pilot bankers indicated that small dollar loans were a useful business strategy for developing or retaining long-term relationships with consumers. In terms of overall programmatic success, bankers reported that long-term support from a bank's board and senior management was most important. The most prominent product elements bankers linked to the success of their program were longer loan terms, followed by streamlined but solid underwriting.

Long-Term, Profitable Relationship Building Was Predominant Program Goal

About three-quarters of pilot bankers indicated that they primarily used small-dollar loans to build or retain profitable, long-term relationships with consumers and also create goodwill in the community. A few banks focused exclusively on building goodwill and generating an opportunity for favorable Community Reinvestment Act (CRA) considerations, while a few others indicated that short-term profitability was the primary goal for their small-dollar loan programs.[11]

Program and product profitability calculations are not standardized and are not tracked through regulatory reporting. Profitability assessments can be highly subjective, depending on a bank's location, business model, product mix, cost and revenue allocation philosophies, and many other factors. Moreover, many of the banks in the pilot are community banks that indicated they either cannot or choose not to expend the resources to track profitability at the product and program level.

Nevertheless, as a general guideline, pilot bankers indicated that costs related to launching and marketing small-dollar loan programs and originating and servicing small-dollar loans are similar to other loans. However, given the small size of SDLs and to a lesser extent NSDLs, the interest and fees generated are not always sufficient to achieve robust short-term profitability. Rather, most pilot bankers sought to generate long-term profitability through volume and by using small-dollar loans to cross-sell additional products.

Board and Senior Management Support Was Most Important Element Related to Program Feasibility

According to interviews with pilot bankers, several overarching elements directly affect the feasibility of small-dollar loan programs. Banks indicated that strong senior management and board of director support over the long term is the primary factor in ensuring the success of small-dollar loan programs. They also cited the importance of an engaged "champion" in charge of the program, preferably with lending authority, significant influence over bank policy decisions, or both. One of the champion's key challenges was to convince branch staff, local loan officers, or similar personnel to promote the small-dollar loan product among the bank's many products and services.

Location was also linked to program feasibility. Banks with offices in communities with large populations of low- and moderate-income, military, or immigrant households tended to benefit from greater demand for small-dollar loan products. Banks in rural markets with few nonbank alternative financial services providers also benefitted from limited competition for SDL and NSDL products.

Banks, particularly those in suburban locations with less demand at the branch level, cited the importance of strong partnerships with nonprofit community groups to refer, and sometimes qualify, potential borrowers. These partnerships were especially useful for fostering word-of-mouth advertising for their small-dollar loan products.

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[9] The cumulative charge-off ratio for NSDLs was calculated only for fourth quarter 2009 because data regarding NSDL charge-offs were not collected until 2009. The cumulative ratio for NSDLs is calculated from the beginning of 2009.

[10] "Credit Card Charge-Off Rate on the Rise Again," *Washington Post*, December 30, 2009. This article reports the results of Moody's Investor Service's Credit Card Index.

[11] The extent to which a bank's small-dollar loan program may be subject to positive CRA consideration is described in the "Affordable Loan Guidelines." See footnote 3.

While some banks used mass media, Web page links, and targeted promotional efforts, word of mouth emerged as the dominant form of advertising for small dollar loans, particularly for established programs.

Longer Loan Term and Streamlined but Solid Underwriting May Have Been Key Performance Determinants

Pilot bankers indicated that a longer loan term was critical to loan performance because it gave consumers more time to recover from a financial emergency than a single pay cycle for payday loans, or the immediate repayment often required for fee-based overdrafts. Several banks experimented with relatively short loan terms, largely in an attempt to mimic the customer's experience with payday lenders. For example, as described in the text box on page 39, Liberty Bank in New Orleans, Louisiana, initially required that loan terms coincide with three paycheck cycles, but found that borrowers often could not repay the loans on time and returned to the bank for multiple renewals.[12] To avoid the cycle of continuously renewed "treadmill" loans, Liberty Bank extended loan terms to a minimum of six months. For the pilot overall, a 90-day loan term emerged as the minimum time needed to repay a small-dollar loan.

Underwriting processes varied somewhat among pilot banks and were streamlined compared with other loans, but bankers reported that some basic elements were important in minimizing defaults. Notably, most pilot banks required a credit report to help determine loan amounts and repayment ability and to check for fraud or recent bankruptcy. Few banks used credit scoring in the underwriting process, but those that did had low minimum thresholds, such as a Fair Isaac Corporation (FICO) score in the low to mid-500s. In addition to the credit report, all pilot banks required proof of identity, address, and income.

Virtually all of the pilot banks could process loans within 24 hours, and many processed loans within an hour if borrowers had the proper documentation. Banks tended to have strong opinions about the merits of centralized versus decentralized loan approval processes, based on the bank's size and business model, but no clear link to performance under either method emerged. About three-fourths of banks offered borrowers the option of automatically debiting payments, and some provided interest rate discounts to encourage borrowers to choose this payment method. It is difficult to draw empirical conclusions about the effect of automatic payments on performance because not all borrowers chose this option. Nevertheless, pilot bankers in general believed that automatic repayments can improve performance for all credit products, not just small-dollar loans.

Pilot Bankers Had Mixed Views on Optional Linked Savings and Financial Education

As part of the pilot application process, the FDIC specifically sought to test whether savings linked to small-dollar credit and access to financial education would improve loan performance, and ultimately, build a savings cushion to reduce future reliance on high-cost emergency credit. Cumulatively, pilot banks reported opening more than 4,000 savings accounts linked to SDLs with a balance of $1.4 million. These numbers are likely understated because of the limited ability of some banks to track this information.

On the surface, it appears that default rates for loans made under programs featuring savings and financial education are lower than for programs without those features. To illustrate, about one-half of pilot banks required or strongly encouraged SDL customers to open savings accounts linked to SDLs.[13] About 80 percent of the SDL funds originated during the pilot were made by banks that offered and encouraged, but did not require, a linked savings account. The cumulative charge-off rate on SDLs was 6.4 percent at banks with optional linked savings versus 11.4 percent at banks that did not feature linked savings as part of their programs. Slightly more than 10 percent of SDL funds were originated by banks that required linked savings accounts; these banks had the lowest cumulative charge-off rate during the pilot period, at just 1.6 percent.

Almost one-half of pilot banks strongly encouraged or required formal financial education. Because many of the largest SDL programs had educational components, more than 90 percent of SDLs were made by banks that featured education as part of their lending programs. The cumulative SDL charge-off rate was 5.7 percent where financial education was featured compared with 12.0 percent where it was not.

Given the limited sample size and variances in the program requirements and other features, it is unclear

[12] Financial institutions, companies, community groups, and other organizations mentioned in this article are for illustration only. The FDIC does not endorse any individual organization or specific products.

[13] Performance data for linked savings and financial education components are limited to SDLs, as data for NSDLs were not collected until later in the pilot, which limited their usefulness.

whether linked savings or formal financial education directly affected loan performance. Moreover, it is uncertain whether these factors reduced future reliance on high-cost credit, particularly since reducing reliance on credit is a long-term goal that may extend beyond the pilot period and it is difficult to track based on data available to banks. Anecdotally, some pilot bankers indicated that some small-dollar loan borrowers subsequently used linked savings or financial management skills in positive ways.

All of the pilot bankers recognized the importance of both savings and financial education, but perhaps the most interesting finding regarding program design was the difference in opinion among bankers about the effectiveness of requiring or even strongly encouraging these features. Some bankers felt that linked savings and formal financial education must be hardwired into the small-dollar loan product to break the cycle of high-cost lending. Others believed that requiring extra features for a loan complicates the process and can drive an already stressed consumer to the ease of the payday lending process; these bankers thought that financial education counseling should be provided during the application process.

Small-dollar loan programs at two of the pilot banks—BankPlus in Belzoni, Mississippi, and Liberty Bank and Trust Company, of New Orleans, Louisiana—illustrate these differences in opinion. BankPlus required both formal education seminars and a significant savings component to qualify for its small dollar loan program (see text box on page 38). The bank strongly believed that these components were the driving factor in minimizing defaults and rehabilitating small-dollar loan customers with problematic credit histories into what it believes will be future mainstream banking customers.

On the other hand, Liberty Bank and Trust Company believed that its program's initial formal financial education and linked savings requirements introduced an unwanted level of complexity for borrowers already facing a financial emergency (see text box on page 39). Liberty reported a surge in loan demand when it removed these requirements. A common theme that Liberty and other banks cited was the importance of informal financial education and counseling as part of the loan closing process. For many small-dollar loan consumers, obtaining a loan from a bank is an exciting and sometimes life-changing event, and part of relationship building is capitalizing on a teachable moment—explaining the importance of repaying the loan—when the loan is delivered.

Strategies to Scale Small-Dollar Loans

Banks other than those in the pilot provide small-dollar loans, but it is likely that most banks do *not* offer these loans.[14] Pilot bankers and other banks that have started or have expressed interest in starting a small-dollar loan program indicated that the primary obstacles to entry are the cost of launching and maintaining the program and concerns about defaults. The strategies described below could help overcome these obstacles and increase the supply of small-dollar loans.

Highlight Facts about Existing Models

A straightforward way to encourage more banks to offer small-dollar loans is to emphasize the facts about successful programs. The key facts are that safe, affordable, and feasible small-dollar lending does occur in mainstream financial institutions; that small-dollar lending can be part of a cornerstone for creating profitable relationships; and that defaults on these loans are in line with other types of unsecured credit. Indeed, other small-dollar loan programs have reported loan performance results similar to those of the pilot.

For example, the Pennsylvania Credit Union Association's Credit Union Better Choice program reported an approximate 5 percent default rate as of third quarter 2009.[15] This program was launched in early 2007 in partnership with the Pennsylvania Credit Union Association and the State Treasurers' Office, and about 80 credit unions are currently participating. The maximum loan amount is $500, the maximum fee is $25, and the maximum interest rate is 18 percent. The loan term is 90 days, and financial counseling is offered but not required. At disbursement, an amount equal to 10 percent of the loan is placed in a mandatory savings account.

In another example, the country's largest microlender, ACCION Texas, also indicated its loss rate is about

[14] The FDIC Survey of Banks' Efforts to Serve the Unbanked and Underbanked, published in December 2008 (http://www.fdic.gov/unbankedsurveys/), included a question regarding whether banks offer small-dollar loans. However, the response to this question was materially skewed, apparently by widespread misinterpretation by banks that believed small-dollar loans included standard overdraft lines of credit. This question will be clarified in subsequent survey efforts.

[15] Data regarding the Better Choice Program were reported to the FDIC Committee on Economic Inclusion on December 2, 2009, http://www.vodium.com/MediapodLibrary/index.asp?library=pn100472_fdic_advisorycommittee&SessionArgs=0A1U0100000100000101. See also the Better Choice Program Web site at http://www.pacreditunions.com/betterchoice.html.

5 percent.[16] Its maximum loan amounts are higher, up to $100,000, and the average amount is about $10,000, but 75 percent of its loans are for $1,500 or less. ACCION Texas's active portfolio was $24 million as of third quarter 2009, and loans are targeted to Latina women seeking to start or expand small businesses. Most applicants do not have a credit history, and the average FICO score is 575.

The FDIC has taken steps to highlight the facts about the small-dollar loan pilot program by releasing program results and lessons learned, as well as setting forth the Safe, Affordable, and Feasible Small-Dollar Loan Template. In addition, the FDIC has been discussing the pilot and template in speeches and public forums with a number of groups, including banks; other regulators; policymakers; academics; nonprofit, community, and philanthropic groups; and innovators in the small-dollar lending area.

Study Creation of Pools of Nonprofit Funds or Government Operating Funds to Serve as "Guarantees" for Safe Small-Dollar Loan Programs

Several existing small-dollar loan programs feature "guarantees" in the form of loan loss reserves or linked, low-cost deposits provided by government bodies or philanthropic groups. These guarantees provide important assurances to banks that are interested in offering small-dollar loans but are concerned about the costs of doing so.

For example, pilot bank Wilmington Trust in Wilmington, Delaware, originates small-dollar loans solely to clients of West End Neighborhood House (WENH), a social services nonprofit organization. WENH screens applications, performs loan underwriting (based on bank-approved criteria), and provides a full range of counseling and social services for prospective borrowers. In addition, all of the loans are fully guaranteed by WENH and backed by a loan loss reserve funded by grants and donations from other program partners.[17]

In another example, as part of the Better Choice Program, the Pennsylvania State Treasurers' Department has established a loan guarantee pool whereby $20 million in state operating funds are deposited in a corporate federal credit union and receive a market rate of return. The difference between that rate and the corporate credit union's earnings on the deposit is used to fund a loan loss reserve pool. Participating credit unions can apply to the pool to have up to 50 percent of their losses offset. While it is not a guarantee fund per se, the Pennsylvania Credit Union Association helps offset the cost of entry into small-dollar lending by paying for traditional advertising for credit unions that wish to enroll in the Better Choice Program.

In addition to guarantee programs, opportunities may exist to create larger and more broadly available guarantees. For example, recently proposed legislation would amend the Community Development Banking and Financial Institutions Act of 1994 to provide financial assistance to help defray the costs of operating small-dollar loan programs.[18] Elements of the Safe, Affordable, and Feasible Small-Dollar Loan Template were incorporated into this proposed legislation.

Encourage Partnerships

Pilot bankers and other successful small-dollar lending programs reported that partnerships with community groups were crucial to the success of their programs. Among other things, these partnerships can serve as an incentive to banks by providing client referrals and the opportunity for other parties to share in program costs. In some instances, the partnerships are direct and one-on-one relationships, such as the Wilmington Trust and WENH partnership described above. Other models, such as the state and local "Bank On" campaigns, use broad-based coalitions and strategies, which often include the provision of short-term emergency credit, to increase access to the financial mainstream.[19]

The Alliance for Economic Inclusion (AEI) is the FDIC's national initiative to establish coalitions of financial institutions, local policymakers, community-based and consumer organizations, and other partners in 14 markets across the country to bring unbanked and underserved populations into the financial mainstream. The focus is on expanding basic retail financial services, including savings accounts, affordable remittance products, small-dollar loan programs, targeted financial education programs, and asset-building programs, to underserved populations. The number of AEI members

[16] Ibid. See also ACCION Texas's Web site at http://www.acciontexas.org/.

[17] The partnership between Wilmington Trust and WENH was profiled in "The FDIC's Small-Dollar Loan Pilot Program: A Case Study after One Year," page 38. See footnote 1. See also WENH's Web site at http://www.westendnh.org/financial-management-services/# for more information about the program.

[18] S. 3217, 111th Cong. § 1206 (2010).

[19] See the National League of Cities Web site for a general description of Bank On campaigns at http://www.nlc.org/ASSETS/7E6FA32D3A364733B3172E44818A0CE3/IYEF_BankOnOnePagerFinal_4-10.pdf.

nationwide is 967, and 35 banks offer or are developing small-dollar loan programs.[20]

Study Feasibility of Safe and Innovative Small-Dollar Loan Business Models

The relationship-building small-dollar loan model is as costly to originate as other, larger loans because of the "high-touch" nature of the loan delivery process. Emerging technologies and delivery channels could reduce handling costs and, potentially, credit losses.

For example, employer-based lending is an emerging model whereby loans are delivered through the workplace as an employee benefit, like medical insurance or 401(k) plans. Banks or credit unions could process loans using employment information as a proxy for most of its underwriting criteria. That is, the employee's name, address, social security or tax identification number, salary, and length and status of employment would already be known, potentially reducing or eliminating the time a bank employee would spend gathering that information. Moreover, payments would be made automatically from payroll deduction, and features such as financial education screens and required savings could be factored into the loan origination process.

There are no large-scale examples of employer-based lending, but some organizations are experimenting with the concept. For example, Employee Loan Solutions (ELS) is a start-up company that has a patented process for delivering closed-end installment loans as an employee benefit.[21] According to ELS, underwriting costs would fall to virtually zero because of an automated process with no consumer interaction. Defaults also would be limited through automated payroll deduction for payments. While ELS has not had any practical application of its process yet, there are a few operating examples of employer-based small-dollar lending.

In July 2009 the Commonwealth of Virginia launched a pilot program, the Virginia State Employees Loan Program (VSELP), to deliver loans to state employees through its payroll system.[22] The program does not involve any state funds, and loans are funded by the Virginia Credit Union. An Internal Revenue Code §501(c) 3 nonprofit organization called the Virginia State Employee Assistance Fund (VSEAF) provided a $10,000 guarantee to fund a loan loss reserve. Previously, the VSEAF was being used for direct emergency aid to state workers, and the VSELP provided a way to leverage those funds to assist more employees who might need emergency funds.

VSELP loans are for amounts up to $500, and terms are up to six months with an interest rate of 24.99 percent. Loans are also conditioned on taking a short computer-based financial education course and passing a ten-question financial education quiz. After about three months, more than 2,000 VSELP loans had been originated with a cumulative balance of over $1 million; this represented about 2 percent of Virginia's 100,000 state employees who were using the loans. According to the Commonwealth of Virginia, borrowers are disproportionately minority, female, and low-income.

E-Duction is a for-profit company that offers open-ended loans through employers with credit lines delivered through MasterCard®. The maximum loan amount is 2.5 percent of annual pay, which, for example, would be $1,000 for an employee earning $40,000 per year.[23] There is no interest rate; rather, the company charges an annual fee, which as of late 2009 was $36 to $40 per year. Equal payments are made through payroll deduction over two to six months, depending on the type of expense. The company has been in business since 2002 and reports that it has about 18,000 accounts. According to E-Duction, about two-thirds of its borrowers earn between $20,000 and $40,000, and more than half have been employed for five or more years. Their average FICO score is 568.

Several pilot banks have been experimenting with innovative program features. For example, as described in the text box on page 40, Lake Forest Bank & Trust, of Lake Forest, Illinois, began working with a local municipality to offer small-dollar loans to city workers. These loans are structured along the terms of the bank's standard small-dollar loan but are repaid through automatic payroll deductions. As described on page 41 Mitchell Bank, Milwaukee, Wisconsin, created a unique low-cost financial education aspect to its loan program in which borrowers sign a pledge that they will not incur another payday loan during the term of their Mitchell Bank loan.

[20] Some of the AEI member banks offering small-dollar loans are also in the pilot. See the FDIC's Web site at http://www.fdic.gov/consumers/community/AEI/index.html for more information about the AEI.

[21] Information regarding Employee Loan Solution's proposed business model was reported to the FDIC Committee on Economic Inclusion on December 2, 2009.

[22] Ibid. See also the State of Virginia's Web site for more information about the loan program at http://www.dhrm.virginia.gov/vaemploan/.

[23] Ibid. See also e-Duction's Web site at http://www.e-duction.com/html2.0/index.html for more information.

Consider Ways That Regulators Can Encourage Banks to Offer Affordable and Responsible Products and That Small-Dollar Loan Programs Can Receive Favorable CRA Consideration

Pilot bankers and others have reported that a more flexible regulatory environment could encourage more banks to offer small-dollar loans. The SDL Guidelines and the pilot application process indicated that small-dollar loan programs can already receive favorable consideration for CRA purposes. However, several pilot bankers believe that small-dollar lending should receive more emphasis in CRA examinations, even if the program is relatively small. The FDIC is reviewing this suggestion and other types of regulatory and supervisory incentives to encourage small-dollar lending.

Conclusion

The FDIC small-dollar loan pilot program, conducted between December 2007 and December 2009, demonstrated that banks can offer alternatives to high-cost, emergency credit products, such as payday loans or overdrafts. The pilot resulted in a Safe, Affordable, and Feasible Small-Dollar Loan Template that other banks can replicate. Loans originated under the program have a default risk similar to other types of unsecured credit. Small-dollar loan programs can be an important tool in building and retaining customers, can be eligible for favorable CRA consideration, and could help banks' consistency with regulatory guidance regarding offering customers alternatives to fee-based overdraft protection programs. The FDIC continues to work with the banking industry, consumer and community groups, nonprofit organizations, other government agencies, and others to research and pursue strategies that could prove useful in expanding the supply of small-dollar loans.

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Financial Education, Savings, and Small-Dollar Lending at Work for Public Servants

BankPlus
Belzoni, Mississippi

BankPlus is a $2.1 billion institution headquartered in Belzoni, Mississippi. In addition to its main office, the bank has 61 branches throughout northwest, central, and southeastern Mississippi. BankPlus operates in a largely nonmetropolitan environment; of the bank's four designated assessment areas, only one is in a metropolitan statistical area (Jackson). The bank's business strategy of placing branches near businesses may provide banking services to residents of rural, sparsely populated environments who commute to work. For example, BankPlus operates a branch inside the Nissan plant in Canton, Mississippi.

The bank learned that there was a strong need for a small-dollar loan program after it opened branches in Jackson. As a result of the bank's community outreach and partnerships, it soon discovered that many local residents had not received financial education and, as a result, were unaware of the high costs of using alternative financial services. The bank studied the predominate users of payday loans in the local community and found that public servants such as teachers, firefighters, and police officers were particularly vulnerable to a cycle of high-cost lending.

The bank launched its CreditPlus program in April 2008. CreditPlus is a small, short-term loan product designed to encourage participants to break the cycle of high-cost debt while developing a regular savings plan. BankPlus opens a new checking and savings account for those approved for a CreditPlus loan. One-half of the loan proceeds are deposited into an interest-bearing personal savings account, and these funds are "on hold" until the loan is repaid. The bank encourages participants to use the remaining loan proceeds to eliminate outstanding debts to alternative financial services providers.

BankPlus reported that the educational component has been the "key to [the program's] success." Consumers must complete a three-hour seminar based on the FDIC's Money Smart financial education curriculum before they can apply for a small-dollar loan.* Owing to the popularity of the seminars, the bank capped registrations at 50 people per class. In fourth quarter 2009, the bank held 21 seminars and reached 667 people. Slightly more than half (51 percent) of those who attended the financial education workshops came to the bank for a small-dollar loan.

CreditPlus applicants also receive one-on-one credit counseling so they can better understand their credit report at the time of application. Bank staff also encourages CreditPlus customers to save 10 percent of their income each pay period through electronic transfer from the checking account into the savings account.

CreditPlus loans range from $500 to $1,000, and all are closed-end with a 12- or 24-month term (the average being 21 months). The interest rate is fixed at 5 percent. No fees are charged, and proof of recurring income (for at least 60 days), identity, and address is required. A credit report is obtained as part of the underwriting process, but the bank does not require a particular credit score. Rather, those with a FICO score above 500 receive a $1,000 loan, while those with a FICO score below 500 receive a $500 loan. If the customer's documents are in order, a loan can be underwritten in less than one hour after the financial education workshop is completed. The bank conducted training for loan officers so that the underwriting process could be decentralized and made in the community.

BankPlus joined the pilot in 2009 and originated 610 SDLs in fourth quarter 2009. At the conclusion of the pilot, 1,404 SDLs with a cumulative balance of about $1 million were outstanding. Only 58 SDLs totaling $34,000 were 30 days or more delinquent at the end of the pilot. The bank's cumulative charge-off rate during the pilot period was 1.8 percent.

Bank management indicated that SDLs are not profitable on a stand-alone basis but can help establish customer relationships and improve the bank's community, which benefits the bank over the long term. According to Senior Executive Vice President and President–South Region Jack Webb, "We see CreditPlus as an investment in the future—it is about building a relationship over the long term. Financial education improves habits, and the change of habits improves the future of customers." One of many success stories the bank cites is of a customer who had bad credit, received a CreditPlus loan, improved her credit score by making timely repayments, and was later able to qualify for a mortgage through BankPlus and become a first-time homebuyer.

* See the FDIC's Web site at http://www.fdic.gov/consumers/consumer/moneysmart/ for more information on Money Smart.

Product Simplification Leads to Small-Dollar Loan Success

Liberty Bank and Trust Company
New Orleans, Louisiana

Liberty Bank and Trust Company is a minority-owned $424 million bank headquartered in New Orleans, Louisiana. Liberty has 24 branches in six states. Ten branches are in New Orleans; four are in Baton Rouge; one is the New Orleans suburb of Harahan, Louisiana; and one is in Opelousas, Louisiana. The bank has two branches each in Jackson, Mississippi; Detroit, Michigan; and Kansas City, Kansas. It also has one branch in Kansas City, Missouri; and one in Houston, Texas. Most of the small-dollar loans made by Liberty are originated out of the New Orleans and Kansas City, Missouri, branches. With the exception of the Harahan branch, all of Liberty's branches are in urban areas, and most of the branches are in low- and moderate-income neighborhoods.

The bank did not have an active small-dollar loan product when it applied for the FDIC pilot. In its initial application, the bank cited providing affordable "anti-payday" loans to the qualified public, attracting new clientele, and increasing future cross-selling opportunities as its objectives for offering small-dollar loans. The pre-launch, conceptual product outlined in its application was called the Payday Assistance Loan. It featured a $300 to $1,000 line of credit, a $15 initial saving deposit, a $15 refundable financial literacy course fee, a $10 processing fee, a 17.99 percent interest rate, and a three-payment term structure incorporating a $15 savings deposit into each payment. The financial literacy fee was to be refundable upon completion of a literacy class within 30 days of application.

By the launch of the bank's small-dollar loan program in April 2008, the Payday Assistance Loan had been rebranded as the Liberty Bank Fast Cash Loan. The Fast Cash loan required a minimum FICO score of 525, the opening of a Liberty checking account with direct deposit, deposit of 9 percent of the loan amount into a Liberty savings account, completion of a 90-minute financial literacy course, and a $4.50 application fee. The loan had an 18 percent interest rate and was payable in three installments commensurate with the borrower's paycheck schedule. The minimum loan size remained $300, while the maximum was increased to $2,500. If all required customer documents were provided at the time of application, the Fast Cash approval process, featuring localized underwriting authority in most cases, was designed to take 15 minutes on average. A complete application consisted of the applicant's two most recent pay stubs, most recent mortgage statement, utility bills, and proper identification.

In response to customer needs, Liberty refined the Fast Cash program over the remaining quarters of the pilot. According to Kelly Dixon, Liberty Bank's manager of E-commerce, the savings component proved too complicated for potential borrowers. Thus, it was dropped before the end of 2008. Similarly, potential borrowers viewed the financial education requirements as too burdensome, and the bank modified them to allow customers to take out and repay two Fast Cash loans before completing a literacy class to qualify for a third loan. The three-payment term structure was dropped in favor of 6- to 12-month terms for loans up to $1,000 and 18-month terms for loans up to $2,500, to give borrowers more time to repay. Also, the small-dollar loan approval process was centralized and the underwriting guidelines were made more flexible. Rates on Fast Cash loans are 18 percent and fees are $4.50.

After implementing the program refinements, Liberty originated more SDL and NSDL loans in the first quarter of 2009 than it had in the previous three quarters combined. Liberty's marketing efforts initially included media advertising, point-of-sale displays, Web site advertising, and dissemination of information at local churches. As the pilot progressed, Liberty came to rely more on word of mouth and the dissemination of brochures at gatherings to market the program.

Subsequently, the Fast Cash program continued to evolve. By November 2009, the financial education component had been dropped altogether. The program was modified to accommodate more credit history "glitches," such as payment problems due to medical issues, job losses, hourly employment cutbacks, unexpected spikes in expenses affecting household budgets, and divorce, and to give greater consideration to borrowers using small-dollar loans to support educational purposes or to military families. According to Liberty Bank and Trust's Executive Vice President Howard Brooks, "We needed more flexibility to avoid pushing our low- and moderate-income consumers to high-cost-debt products such as payday loans. In particular, our customers told us that they don't have the time or the resources to fulfill mandatory financial literacy or savings requirements." He believes that the modifications to the Fast Cash program allowed Liberty Bank and Trust to be of greater service to its communities.

During the pilot, Liberty originated 102 SDLs and 82 NSDLs. In all, Liberty originated approximately $217,000 in small-dollar loans during the pilot. The bank did not report any charge-offs, and its 30-day delinquency rate was about 5.60 percent. The bank reported a positive net income on small-dollar loans.

Innovating to Build Profitable Relationships

Lake Forest Bank & Trust
Lake Forest, Illinois

Lake Forest Bank & Trust is a $1.8 billion institution headquartered in Lake Forest, Illinois, in the northern suburbs of Chicago. In addition to the main office, the bank has seven branches throughout the state. It is owned by the Wintrust Financial Corporation holding company, which also owns 14 other banks serving the Chicago, Illinois, and southern Wisconsin metropolitan areas.

To expand the bank's community reinvestment activities, Lake Forest initiated a small-dollar lending program in late 2008. The program was designed to meet the FDIC's Guidelines on Affordable Small-Dollar Loans, and the bank joined the ongoing pilot program in fourth quarter 2008. All seven of the bank's branches offer the small-dollar loan product. Lake Forest has encouraged its sister banks—which, including Lake Forest, have 84 branches—to offer the product as well, and many have started their own programs. Although Lake Forest was a relatively late entrant into the pilot program, the program has grown quickly, from 5 loans originated in its first quarter of participation to 51 in the final quarter of the pilot.

Lake Forest's small-dollar loans range from $250 to $1,000. One of the most successful changes the bank made to its program over the past year has been reducing the minimum loan amount to accommodate borrowers who did not need large amounts of credit. The bank charges a fixed interest rate of prime plus 5 percent, which has hovered around 8.5 percent since it implemented the loan product, with no fees. Interest rates are reduced by 0.25 percent if the borrower chooses to use auto-debit payments or payroll deduction. Loans must be repaid within 24 months, but are paid off in 18 months, on average. The underwriting process allows for loan decisions within 24 hours at the branch level. There are no minimum credit score requirements. While the bank initially required a minimum credit score, it found this requirement was an obstacle for too many applicants. Underwriting processes now consist of completing the application for credit, which collects information on employment history, income, assets, and debts. A credit report is also ordered to help determine the borrower's ability to repay.

Since joining the pilot program, Lake Forest has made more than 100 SDLs for nearly $86,000. Forty-four loans had been paid off by the end of 2009. With just one loan delinquent and 11 loans charged off by fourth quarter 2009, the bank reports that losses on the SDL product are no higher than those on other consumer loans. In addition to the positive effect the SDL program has had on community development, the bank has been able to earn a small profit on the loans and intends to develop long-term relationships with performing SDL borrowers.

Lake Forest is also involved in several innovative approaches to its small-dollar lending. In fourth quarter 2009, the bank began working with a local municipality to offer workplace-based loans to city employees to reduce their reliance on payday loans and other alternative financial services. City workers can get a loan application directly from their employer, can fax the complete application to the bank, and will go in to the bank only to close the loan. The loans are structured along the terms of the bank's standard small-dollar loan but are repaid through automatic payroll deductions.

In addition, the bank is working with the State of Illinois on the Micro Loan Program and was the first bank approved by the state as a lender under this program. This program is designed to provide affordable capital to credit unions and community banks so they can make micro loans to low-income residents who might otherwise turn to payday lenders. If a bank is accepted into the program, the Micro Loan Program will deposit up to $250,000 at a reduced rate at the bank for one year. These funds are then used to make loans to borrowers. The bank plans to work on modifying its product to meet the state guidelines, and the state program will become a subset of the small-dollar loan program.

While these partnerships are successful in providing loan prospects for the bank, the majority of the small-dollar loan borrowers come from outside of these relationships. Lake Forest consistently advertises the small-dollar loan in a community newspaper, which is the biggest driver of applications. Program information and the loan application are also available on the bank's Web site, which is becoming a more important channel for applicants. Also, the bank's successful track record with the program is generating positive word of mouth that is reaching increasing numbers of potential borrowers.

A Pledge to Break the High-Cost Lending Cycle

Mitchell Bank
Milwaukee, Wisconsin

Mitchell Bank is a $74 million institution headquartered in Milwaukee, Wisconsin. In addition to the main office, the bank has four branches. The bank's main office and branches are located in communities with concentrations of Latino and low- and moderate-income households.

Mitchell Bank's small-dollar loan program was new when the pilot began in February 2008. The bank's goals for the program were to provide consumers with an alternative to high-cost credit, build multiple account relationships, and provide opportunities for financial education. Initially, loans were offered only to existing customers who had had an account for six months or more and also had a Social Security number. In 2009, Mitchell Bank relaxed the existing customer requirement but required borrowers who were new customers to open a Mitchell Bank deposit account and to have their payroll or benefits check direct deposited into the account. Because of its large immigrant customer base, the bank also altered its program requirements to allow customers who had only an Individual Taxpayer Identification Number (ITIN) to apply for a loan.

Loans range from $300 to $1,000, although loans up to $2,500 may be made on a case-by-case basis. The interest rates range from 15 to 22 percent, depending on the borrower's credit score; the average rate is about 19 percent. Each loan application requires a credit report. Generally, the bank requires borrowers to have a minimum FICO score of 570 but will extend loans to those below that threshold if the borrower agrees to a single financial counseling session. An $8 fee is charged to cover the cost of the credit report. Loan terms range from 6 to 12 months, with an average of 9 months. In addition, borrowers must have a minimum income of $1,000 per month and are required to provide Mitchell Bank with two months' evidence of payroll or other recurring income.

A unique aspect of Mitchell Bank's program is that borrowers must sign a pledge that they will not incur another payday loan during the term of their Mitchell Bank loan. The bank also requires that the borrower set aside 10 percent of loan proceeds in a savings account that is restricted until the loan is paid. The interest rate on the savings account is three times higher than Mitchell Bank's regular accounts to encourage small-dollar loan customers to add to savings and avoid future reliance on short-term credit. The bank also offers a 2 percent discount for customers who agree to have payments automatically debited from their accounts.

The bank made 84 SDLs and one NSDL during the pilot, with cumulative balances of about $56,000. Eight loans were charged off. The bank found that a borrower's status as an existing customer (versus a new customer) had little effect on loan performance. However, the lack of credit history, as opposed to a poor credit history, *was* correlated to performance. Of the eight loans charged off, six were ITIN loans whose borrowers, for the most part, had no credit score. Mitchell Bank also reported that loans that became 30 days delinquent were frequently charged off. Management attributed the correlation between late payments and default to state laws that limit the penalty for late charges.* Recent collection efforts have resulted in recovery and payment of three of the previously charged-off loans, and the bank anticipates collecting on several more.

In terms of successful program components, Mitchell Bank reported that extended loan terms significantly reduced the incidence of repeat customers. Several customers have taken two loans per year (the bank's maximum), but all have paid as agreed. The program also provides for a discount on subsequent loans if initial loans performed as agreed. Mitchell Bank indicated that the savings component was well received by consumers and resulted in substantial savings balances. Sixty-two percent of savings accounts opened by loan customers remained open at the end of the program, and most were active. Most accounts are in the $250 to $300 range, but several accounts are in the five-figure range. Overall, Mitchell Bank reported that its small-dollar loan program was profitable and met the emergency credit needs of the community it serves. Mitchell Bank plans to continue to offer small-dollar loans and will continue to develop and refine its program.

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* The Wisconsin Consumer Act (§422.203(1) Wis. Stats.) limits late charges to the lesser of 5 percent of the payment or $10. A late charge may be assessed only once on an installment, however long it remains in default. A borrower who misses a $30 installment payment on a small-dollar loan will be charged a $1.50 penalty.

Feature Article:

A Guide to Processing Deposit Insurance Claims: A Cross-Country Perspective

A fundamental goal of most deposit insurance systems is to contribute to financial stability. However, establishing a deposit insurance system will not improve financial sector resilience unless depositors are confident that the system will work. Indeed, depositor confidence is key to preventing individual bank failures from escalating into a systemic banking crisis.

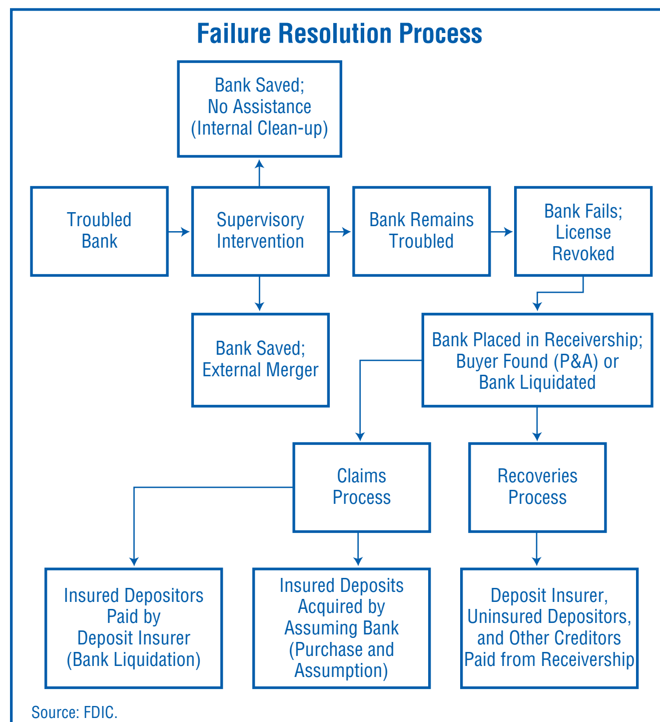
This article discusses the deposit insurance claims process, whereby insured depositors are reimbursed when a bank fails.[1] The article reviews the role of deposit insurers in a bank failure as well as their responsibilities in the claims process. It also reviews the basic tools that deposit insurers need to satisfy the claims of insured depositors (and others) and the procedures commonly followed in the claims process. Finally, the article explores the claims process of deposit insurers in Canada, the Philippines, the Russian Federation, and the United States.

When a Bank Fails: The Deposit Insurer's Role

A number of steps are involved in winding up or liquidating the business and affairs of a failed bank.[2] First, the resolution authority determines a methodology for handling the failed bank. That methodology may include the purchase of some or all of the bank's deposits and assets by an acquiring bank, liquidation of the bank's assets, settlement of depositor and other claims under applicable laws, and disposition of pending or outstanding litigation.

In many countries, once a decision is made to revoke a bank's charter or license, the bank is placed into receivership.[3] A receiver may be appointed administratively or through a bankruptcy court.[4] The receivership process has two parts: recovering value from the failed bank's assets and paying claims (see Figure 1). The receiver sells the bank's assets and returns recovered funds to the bank's claimants according to established protocols on seniority. Claimants include depositors, general creditors, subordinated debt holders, and shareholders.[5] Claims against the receivership may also arise

Figure 1



Source: FDIC.

[1] For a more in-depth discussion of the claims process, see "Reimbursing Depositors" and "Claims and Recoveries," Financial Stability Forum (FSF) Working Group on Deposit Insurance Discussion Papers, September 2001.

[2] The processes discussed in this article are generally applicable to most deposit insurance systems; however, specific features of the claims process will reflect the laws and customs of the specific country.

[3] In some countries, a bank's charter or license will not be revoked until the affairs of the bank have been wound up, and some countries do not have a formal receivership process.

[4] In most countries, bank failures are administered by the court system through the bankruptcy process. A third party that is not a creditor of the failed bank is appointed as the receiver or bankruptcy trustee. In a few countries, however, the deposit insurer may be appointed as receiver operating under the judicial process. In still others—notably the United States and the Philippines—the deposit insurer is appointed as receiver and operates through an administrative process.

[5] General creditors include vendors, suppliers, and contractors of the failed bank; employees; and lease holders. A claims priority, established in law, determines the order in which claimants are paid from the receivership. For example, in the United States depositors are given preference over other claimants. This allows the Federal Deposit Insurance Corporation (FDIC), standing in the place of insured depositors, and uninsured depositors to be paid from the liquidation of the failed bank's assets before the general creditors.

from legal actions by or against the insolvent bank and from financial assistance provided to the bank by the deposit insurer or others prior to failure.

Insured depositors in many countries subrogate their claims against the receivership to the deposit insurer when a failed bank is liquidated. Accordingly, the deposit insurer becomes the claimant against the receivership, acting in place of the insured depositors. The deposit insurer reimburses depositors, up to the level of their insured deposits, for the funds that are covered by deposit insurance. In doing so, the deposit insurer bears the time and recovery-rate risks of the receivership process.[6]

In addition to insured depositor claims, the deposit insurer may be responsible for processing other claims—that is, gathering information on the monies owed and filing the paperwork with the receiver or bankruptcy administrator. Any excess funds that are recovered from the sale of the bank's assets are then distributed to those claimants, as appropriate, according to applicable laws.

The methodology used to resolve a failed bank determines the scope of the claims process. For example, in a purchase and assumption transaction (P&A), all deposits, secured liabilities, and good assets (typically cash and cash equivalents) of the failed bank are transferred to an acquiring bank. If the good assets are insufficient to cover the failed bank's deposit liabilities, the deposit insurer adds enough cash or bonds to make the depositors whole. The acquiring bank may take other assets as well. A whole bank P&A transaction greatly reduces the work involved in the claims process, as it is not necessary to make an insurance determination.

Making the Claims Process Efficient and Effective

A number of factors contribute to efficient and effective claims processing. First, the scope and level of deposit insurance coverage must be clearly defined in law and well understood by the public.[7] The public must be aware of the institutions, products, and types of accounts covered by deposit insurance; the amount of coverage; and adjustments that may be made to that coverage. (Coverage adjustment calculations may involve account consolidation or the offset of loans against deposit balances.) A well-designed deposit insurance system will provide the information that is necessary for an orderly and fair claims process. For example, laws in some countries require that depositors be ranked ahead of other claimants in the distribution of the failed bank's assets.[8] That is, depositor claims are paid first out of the funds recovered as the bank's assets are liquidated. The priority for paying insured depositors must be transparent to instill confidence in the insurance system. As such, this information should be available to depositors and other creditors when they place their funds in the bank.

The deposit insurer also must be adequately funded to ensure that payments to insured depositors are made in a timely manner and to maintain public confidence in the value of the insurance guarantee. In practice, many deposit insurance systems have access to more than one source of funding. The most common source of ready money is a deposit insurance fund, which typically is built up from assessments paid by member banks and accumulated interest on the fund balance. The authority to borrow from the government or the private sector often provides a backup source of funds. Assessments can also be charged to the banking industry after a bank failure.

An efficient claims process also requires that information systems and human resources be readily available to the deposit insurer. Also, because communication among authorities involved in the claims process is crucial, the deposit insurer must foster strong working relationships with the supervisory authority, other relevant safety-net players, and the receiver to ensure the cooperation necessary for a timely, accurate, and efficient payout of insured depositors. The deposit insurer must develop detailed procedures to implement when an insured institution fails. These procedures must clearly delineate the deposit insurer's responsibilities as well as a schedule for claims processing.

Finally, the deposit insurer should possess efficient systems for processing claimant information and making monetary distributions. The claims process involves aggregating the monies belonging to an individual depositor housed in separate accounts for the purpose of determining insured balances. Further, in some cases deposit insurance is provided on the basis of the different rights and capacities in which the funds are held;

[6] The rights of insured depositors to file claims against the receivership are taken on or subrogated by the deposit insurer. In other words, it becomes the duty of the deposit insurer—not the insured depositor—to file a claim against the receivership.

[7] For a discussion of the elements of a well-designed deposit insurance system, see Blair, Carns, and Kushmeider (2007); and FSF Working Group on Deposit Insurance (2001).

[8] For example, Title III of the Omnibus Budget Reconciliation Act of 1993 established national depositor preference for all insured depository institutions in the United States.

The Claims Process: Basic Procedures

The deposit insurer should establish the necessary systems to process the claims of insured depositors and, if responsible, of uninsured depositors and other claimants. If necessary, an appeals process should also be established.

As part of preclosure preparatory work, the deposit insurer should, whenever possible,

- Receive notification about a possible failure and collect preliminary deposit data or receive information from the primary regulator,
- Gather information about the institution's data system(s), and
- Pre-position claims-processing staff.

After an insured institution is closed, the deposit insurer should

- Notify the public and depositors of reimbursement procedures;
- Secure information on depositors (and on other claimants, if responsible) and determine the insurance status of each depositor by
  - Downloading the institution's deposit information into the deposit insurer's processing systems,
  - Reviewing incoming transfers and determining whether they arrived prior to the institution's closure,
  - Drawing up individual deposit statements showing principal and interest as of the closing date and then sorting them to determine ownership,
  - Identifying the excluded depositors or accounts, verifying the rights of trustees and beneficiaries, and clarifying any fiduciary relationships,
  - Performing the interest calculations on deposits according to the statutory provisions, and
  - Posting account statements to the general ledger and balancing to ensure accuracy;
- Determine if any deposits are to be set off against outstanding loans or if any deposits are used as collateral;
- Make adjustments, as appropriate, for any insured deposits that are held in foreign currencies;
- Examine proof of insurance, if needed; and
- Keep records of all reimbursements made to depositors for verification and auditing purposes.

Follow-up tasks may be required, such as

- Submitting the reimbursement process to an independent auditor,
- Submitting the deposit insurer's claim as creditor of the closed institution to the liquidator in compliance with the subrogation rules, and
- Locating depositors whose reimbursement was unsuccessful during the normal process.

that is, deposit insurance is provided to the ultimate beneficial owner of the account, regardless of how the account may be titled. These are complex processes that require specialized systems to ensure depositors are paid in a timely fashion.

The Claims Process: How Depositors Are Reimbursed

Efficient and timely claims processing requires extensive planning and preparation by the deposit insurer. Determining who should be reimbursed and ensuring that insurance limits are respected are the most crucial and time-consuming steps (see text box).

Legislative or other provisions in a number of countries allow the deposit insurer to prepare for closure at institutions that appear *likely* to fail—often known as *preclosure planning*.[9] During the preclosure planning phase, the bank's primary regulator notifies the deposit insurer of a possible failure and provides the insurer information about the failing bank. Deposit insurers also collect preliminary deposit data and information about the institution's data system(s) and pre-position staff in preparation for the closing.

Granting the deposit insurer access to, or control of, deposit data before a bank is closed helps to ensure that legitimate claims are paid promptly and lessens the risk of account misrepresentation. However, advance notice

[9] For example, in the United States, the FDIC, which insures bank and thrift deposits, generally is given at least 90 days' notice before an insured institution is closed. If no financial institution can be found to assume the deposits during this period, the FDIC makes plans to pay depositors the full amount of their insured deposits.

in a number of countries is not possible.[10] Accordingly, the deposit insurer cannot begin the insurance determination process until after the institution has been closed, delaying payment to insured depositors (and the bank's other creditors). The longer the period between closure and the deposit insurer's access to the institution's records, the greater the risk that manipulation of the institution's data might occur. This could result in the inability of the deposit insurer to sort out depositors with legitimate claims from those seeking protection of funds that were not legally insured.

Regardless of how a bank closing is handled, a deposit insurer needs to know when to start and when to complete the claims process. Likewise, depositors (and other claimants) need to know when and how they can expect to receive their funds. In many instances, insured depositors do not have to take any action to receive their reimbursement—once the bank's records are processed, the insurer distributes depositor funds. In other cases, however, insured depositors must file a claim and show proof of ownership or identification before being reimbursed. In addition, an appeals process may need to be established, and the deposit insurer may need to process claims and payments for uninsured and nondepositor claimants if it is also acting as the receiver. To reduce the loss of public confidence in the insurance guarantee, depositors must be made aware of any actions that affect their insured deposits—such as the need to file a claim and how to do so—and when they can expect to be reimbursed.

A deposit insurer should have clearly established procedures for determining deposit and other account balances in the event of failure. Over the course of any business day, a depositor's account balance may be affected by debit or credit transactions. Transparent rules should be in place indicating how the bank's business on the day of failure will be closed out to arrive at deposit balances used for insurance determination purposes.

To begin reimbursing insured depositors (and if responsible, processing other claims) as soon as possible, the deposit insurer needs to secure depositor and other claimant information immediately after an institution is closed. The deposit insurer does this by completing the following activities:

- Downloading deposit information
  - Cleansing the data and reconciling them to the bank's general ledger and supporting subsidiary systems
  - Inputting the deposit data into the insurer's processing systems
- Identifying depositors and determining insurance coverage
  - Preparing and sorting individual account statements showing principal and interest as of the closing date to determine ownership
  - Grouping depositors with multiple accounts and preparing a combined account statement
  - Sorting the combined account statement to show the rights and capacities allowed under deposit insurance laws
  - Identifying excluded depositors or accounts

Any deposits that are to be offset against outstanding loans or that are used as collateral require special treatment according to the laws and regulations in effect. The deposit insurer makes appropriate adjustments for any insured deposits that are held in foreign currencies. In many cases, the deposit insurer will simply convert a deposit held in a foreign currency to the domestic currency at the appropriate exchange rate. In other cases, the deposit insurer may have to pay the depositor in the foreign currency.

The last step before reimbursement is preparing a settlements claim statement specifying the amount to be paid by the deposit insurer and claimed from the receivership. At this point, the deposit insurer is prepared to reimburse insured depositors, provided there are sufficient funds to do so. The deposit insurer can then require identification or other documentation, if needed, and issue checks or implement other means of payment. The insurer must keep a record of all reimbursements made to depositors for verification and auditing purposes.

In some instances, the deposit insurer takes certain follow-up steps after the reimbursement is complete. For example, the insurer may need to submit the

[10] In many countries, the decision to close an institution rests with the supervisory authority, which will either suspend or withdraw the institution's license or charter. In other countries, the process of closing an institution may be initiated by the supervisor or deposit insurer, but must be approved by a court. In still other countries, the deposit insurer is restricted by strict bank deposit secrecy rules from gathering information before closure.

reimbursement process to an independent auditor, especially if the procedures implementing the regulations and supporting software were not audited before use. In some cases, the deposit insurer will also need to submit its claim as creditor of the closed institution to the liquidator in compliance with the subrogation rules specifying the amounts reimbursed and the indemnification obligation.

The Claims Process: Canada, the Philippines, the Russian Federation, and the United States

The steps discussed above present a general framework for the deposit insurance claims process. However, deposit insurers use a variety of tools and processes to reimburse insured depositors. The remainder of this article examines the claims process of four deposit insurers: the Canada Deposit Insurance Corporation (CDIC), the Philippines Deposit Insurance Corporation (PDIC), the Deposit Insurance Agency (DIA) of the Russian Federation, and the Federal Deposit Insurance Corporation (FDIC) in the United States. (Select characteristics of each country's claims process can also be found in Table 1.)

Canada

The CDIC maintains a deposit insurance fund that is supported by premiums paid by member institutions. In addition, the CDIC has access to government funds and may borrow in the financial markets. The CDIC has staff dedicated to the claims process, but it sometimes calls upon external consultants to do the detailed accounting and information systems work related to the claims process.

The CDIC coordinates its activities with Canada's bank supervisory agencies (the Office of the Superintendent of Financial Institutions (OSFI) and provincial supervisory agencies). The CDIC board of directors includes OSFI and other safety-net players (the Bank of Canada, the Department of Finance, and the Financial Consumer Agency of Canada). The *Guide to Intervention for Federal Financial Institutions*, which was jointly developed and published by the CDIC and the federal bank regulator, provides a framework for responding effectively to circumstances that could lead to the instability of a financial institution. Given the close working relationships between the CDIC and these safety-net players, the CDIC is fully informed of the potential for a bank's closing.

Before a closure, the CDIC conducts special and preparatory examinations, assesses potential resolution strategies, and secures the necessary funding to undertake its preferred resolution strategy.[11] The CDIC begins to verify, reconcile, and settle insured deposit accounts immediately after a bank is closed. Deposits are paid out "as soon as possible," with one to three months being the average period from the date of closing to payment. During this period, depositors can request advance payment(s) of their insured deposits. These requests are checked against the bank's records, and the CDIC approves or disapproves the request.

The CDIC has developed extensive processes and procedures to verify, reconcile, and settle insured deposit accounts. The CDIC calculates interest and pays all eligible deposits up to the application date of the court-approved winding-up order. The CDIC relies on the books and records of the failed member institution; depositors do not have to file a proof of claim. The CDIC obtains final data from the failed bank at the time of closure and reconciles the eligible deposit balance information from its insurance determination process to the bank's sub ledgers and general ledger. Depending on the completeness and accuracy of the bank's records, this process can be quite time-consuming.

Before making a payout, the CDIC identifies depositors whose payments should be withheld because of an offsetting loan balance or other reasons. Payments can be made in the form of a check or by transfer of the deposit to another member institution. The CDIC obtains an independent audit of the payout for control purposes and to support its proof of claim submitted to the liquidator of the estate.

The CDIC reviews the bank's records to identify depositors with multiple accounts and combines those accounts to determine the total amount that will be paid. If the combined deposit balance exceeds the insurance limit, the CDIC confirms the depositor's identity by referring to the bank's original records. This ensures the appropriate aggregation of depositor accounts and mitigates the risk of over- or underpayment of deposit insurance.

Shortly after a bank is closed, the CDIC sends a letter to depositors outlining the process and anticipated timing of the reimbursement. A second letter is sent detailing whether deposits will be transferred to another institution or whether depositors will be reimbursed by check. Finally, a customer statement is prepared and mailed to all depositors when their account balances are reimbursed.

[11] This work helps put CDIC in a payout-ready mode with the information it needs on systems and access to data.

Table 1

Characteristics of the Deposit Insurance Claims Process				
	Canada	**Philippines**	**Russian Federation**	**United States**
Deposit insurer	Canada Deposit Insurance Corporation	Philippines Deposit Insurance Corporation	Deposit Insurance Agency	Federal Deposit Insurance Corporation
Year established	1967	1963	2004	1933
Mandate	• Deposit insurer	• Deposit insurer • Co-regulator of banks • Receiver and liquidator of closed banks	• Deposit insurer • Liquidator of banks that take household deposits	• Deposit insurer • Supervisor of state-chartered banks • Receiver and liquidator of closed banks
Funding • Primary source • Secondary source(s)	• Ex ante deposit insurance fund • Member premiums • Government funds • Borrowing authority from markets	• Ex ante deposit insurance fund • Member premiums • Government capital contribution • Borrowing authority from the central bank and certain private sector banks	• Ex ante deposit insurance fund • Member premiums • Government capital contribution • Limited authority to borrow from the government	• Ex ante deposit insurance fund • Member premiums • Line of credit with the U.S. Treasury • Authority to borrow from the Federal Financing Bank and insured institutions
Staffing	External consultants and CDIC staff	PDIC staff	DIA staff and/or selected agent banks	FDIC staff
Number of failed insured institutions since inception, as of year-end 2007	43	473*	Not available	2,237
Other features				
• Advance notice of failure	Yes	Yes	No	Yes
• Advance access to deposit records	Yes	No (bank secrecy laws)	Access required within seven days of bank closure, but DIA may have advance access in some cases	Yes
• Prompt corrective action letter	No	Yes	Yes	Yes
• Deposit insurer named receiver of failed bank	No	Yes	Yes	Yes
• Payouts begin	Within one to three months, on average	Within nine days of bank closure	No later than 14 days after bank closure	Following business day
• Form of payouts	Check or deposit transfer	Cash or deposit transfer	Cash or deposit transfer	Check or deposit transfer
• Claim by depositors required	No	Yes, identification required	Yes, application and identification required	No
• Depositor notification	By letter	Register of Estimated Insured Deposits, national and local media announcements	By letter, local newspapers, and *Bank of Russia Bulletin*	By letter

* Number of banks closed from 1970 to 1997.

Source: FDIC.

The Philippines

The PDIC maintains a deposit insurance fund that is supported by premium assessments paid by member banks. Funding is also provided by the Philippine government through paid-in capital. The PDIC is authorized to borrow from the Philippine central bank and, if necessary, from certain private sector banks. With the approval of the country's president, the PDIC may issue bonds or other obligations to pay insured depositor claims.

A distressed bank may request financial assistance from the PDIC. If the bank meets certain conditions—for example, if the continued operation of the bank is needed to provide adequate banking service in the community or to maintain financial stability in the economy—the PDIC may provide assistance. When rehabilitation is unlikely to resolve the bank's problems, however, the Monetary Board of the central bank may order the bank closed. The PDIC automatically becomes the receiver and begins the payout process. Because a bank deposit secrecy law is in effect, the PDIC can obtain deposit records only upon closure or takeover of the bank, in which case the PDIC is notified and immediately takes charge of the bank's assets and liabilities.

The PDIC's Claims Processing Department handles claims for payment of insured deposits. Staff in this department checks for compliance with documentary requirements, validates supporting documents, and approves or denies claims. This department also determines the funding requirements for a payout and settles claims by either check or cash.

The PDIC follows a self-imposed deadline of making payouts within nine days of a bank takeover. Before making payouts, the PDIC conducts a presettlement examination in which outstanding and insured deposits are identified by bank documents and records. Next, the PDIC establishes the validity of deposit accounts and tracks the inflow of funds. Then, it generates a Register of Estimated Insured Deposits, which becomes the basis for the claims process to begin. Depositors file a claim, and a claims agent verifies that they are the rightful owners by requiring basic documents, such as a passbook or bank statement and valid customer identification, according to established guidelines.[12]

[12] Valid identification includes affidavits of ownership of accounts and birth certificates, among others.

The PDIC pays insured deposits after the validity of the claim is established. A claim is normally processed and paid on the same day it is filed, except in cases where the bank's records are inaccurate or inadequate, or the claimant is unable to provide the required documentation.

The PDIC completes initial servicing or payout of claims at the bank within two to three weeks after the closing/takeover. Thereafter, acceptance and servicing of claims is continued at the PDIC office. Depositors have two years from the bank closing date to file their claims.

The Russian Federation

In the Russian Federation, the DIA is funded by capital contributed by the government and by assessments paid by member institutions. The DIA may conduct the payout process using its own dedicated staff or may use an agent bank selected on a competitive basis. The DIA has preestablished agreements with banks that are accredited to conduct the payout process.

Banking licenses are granted and revoked by the Central Bank of Russia (CBR), which regulates and supervises banks. Banks are declared insolvent by a bankruptcy court (the arbitration court), which also appoints a receiver for the failed bank. The DIA is named receiver when banks that accept household deposits fail.

The CBR is not required to notify the DIA of a potential bank closure; however, the DIA is informed when prompt corrective action measures are taken against an institution. Once the CBR revokes the bank's license, the DIA must be notified no later than the following business day. Often this means that the DIA receives official information about a bank's closure at the same time as the public. However, upon mutual agreement with the CBR, DIA staff may be included in the temporary administration of the bank preclosure and thus gain quicker access to the information.

By law, within seven days from the bank's closure, the DIA must receive a register of the bank's depositors that lists the deposits and other liabilities of the bank. Once the DIA receives this information, it sends letters to all eligible depositors describing the procedure for filing claims and the location, timing, and form of reimbursement. The DIA also publishes information on the payout process in local newspapers and the *Bank of Russia Bulletin*.

Payouts are required by law to start no later than 14 days from the date a bank is closed. Payment calculations are made on the basis of the register of depositors. Adjustments are made if a depositor has borrowed funds from the bank. In such cases, the amount borrowed is deducted (set off) from the aggregate of all deposits. If aggregate deposits exceed the coverage limit but the deduction for borrowings brings the sum below the insurance limit, the full amount of the net deposits is paid.

Depositors can file their claims immediately after the bank is closed. To receive payment, a depositor must submit a claims application and identity documents. Once the paperwork is submitted, the DIA has three days to make the payout. Payments can be by cash or funds transferred to an account specified by the depositor. The depositor also receives a reference document with information about the accounts that were paid.

Eligible deposits made in a foreign currency are covered, but the reimbursement is made in rubles. To calculate the amount of the deposit, the DIA uses the exchange rate set by the CBR as of the day the bank fails. A depositor who files a claim that exceeds the coverage limit is paid an amount equal to the coverage limit. The remaining claim is recorded in a claims register, which is used to track deposits and other claims that are not covered by deposit insurance. These claims are paid from the proceeds of the receivership on a pro rata basis. Household depositors and the DIA (as the holder of subrogated claims) have first priority on the assets of the receivership.[13] The claims register closes out no earlier than 60 days after a failed bank's receiver publishes information on the court decision declaring a bank insolvent.

The United States

The FDIC's primary source of funding comes from premiums paid by member banks to a deposit insurance fund. Additional funding is available through a line of credit with the U.S. Department of the Treasury. The FDIC also has the authority to borrow from the Federal Financing Bank and insured depository institutions.

The FDIC's Division of Resolutions and Receiverships performs both the claims and receivership functions when a bank fails. To prepare for a bank closing, the FDIC reviews the institution's financial and operational information to determine the number of staff likely to be needed. A claims agent is appointed to lead the claims process. Before the closing, FDIC staff learns as much as possible about the failing bank by reviewing bank deposit records and making preliminary insurance determinations.

On the day of the closing, claims staff assembles to make final payout determinations. If all of the deposits in the failed bank are not sold to an acquiring institution, staff conducts an insurance determination to identify which deposits are fully insured.

During a typical bank closing, the FDIC takes possession of the premises and records of the bank and then determines the insured status of deposits. Since the FDIC is also the receiver of the bank, it processes the claims of uninsured depositors and other claimants. The payment to insured depositors and the processing of claims that exceed the insurance limit begin the next business day after closure. In general, most banks are closed on a Friday, and depositors have access to their insured deposits on Monday.

Over the closing weekend, the final insurance determination must be made. Staff locates and aggregates deposit accounts that are related by name, address, or tax identification number. Then, ownership rights and capacities are determined and the insurance limit applied. A combined account statement for depositors with multiple accounts is prepared.

In a payout, deposit amounts identified as fully insured are either passed to an agent bank in an insured deposit transfer or paid to depositors in the form of a check mailed to the depositor's address of record. If an account appears to exceed the coverage limit or if other questions exist, the FDIC contacts depositors directly; additional information may be required before the full claim is paid. The FDIC relies primarily on the records of the bank to determine the status of depositor claims. Insurance payments are available to depositors for 18 months, after which time all remaining unclaimed funds are escheated with the appropriate state. The state can attempt to locate the depositors for ten years before the funds revert to the FDIC.

As receiver of the failed bank, the FDIC is also responsible for notifying general creditors of the bank's failure and paying their claims to the extent that funds remain after depositors are paid. The FDIC follows a standard-

[13] According to the Russian Deposit Insurance Law, insured deposits are paid from the DIA's own resources. All other creditors are paid from the bankruptcy estate according to the established priority of claims on a pro rata basis.

ized receivership claims process, which requires that a notice be placed in a local newspaper for three consecutive months and an individual notice be mailed to creditors on the books and records of the failed bank. Creditors may file a claim within the time frame provided in the notice—usually 90 days from the date of the notice. A determination regarding the validity of the claim is made, and if sufficient funds are recovered, the general creditors are reimbursed in whole or in part by the FDIC. If no funds are available for immediate distribution, the claimant gets a receivership certificate showing entitlement to a share in the receivership estate.

Staff also identifies depositors with delinquent loans. The FDIC may have the right to set off the accounts of these depositors. In addition, customers who have uninsured deposits may apply to have their loan balances reduced by the amount of their uninsured deposits.

Conclusion

The capacity to manage the claims process for a failed bank efficiently is an essential function of an effective deposit insurance system. It involves satisfying insured depositors and often liability holders who have bona fide claims against the bank.

The primary purpose of a deposit insurance system is to protect the interests of insured depositors in the event of a bank failure. Despite international differences in the deposit insurance claims process, most nations share a core set of processes for managing claims. A successful claims process ultimately depends on having the necessary resources and developing consistent strategies within the country.

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