FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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FDIC CONFIRMS ADMINISTRATION'S ESTIMATE OF LOSS IN INSOLVENT THRIFTS

The Federal Deposit Insurance Corporation today reported that estimated losses in the 212 "RAP" insolvent savings and loan associations under its supervision as of April 15 amount to $29.8 billion, or 40 percent of their $73.4 billion in assets. This level of loss is consistent with the Bush Administration's estimate of losses in all insolvent institutions to be handled by the new Resolution Trust Corporation.

"RAP" insolvent institutions are viewed as the worst cases among troubled thrifts. These institutions are insolvent under liberal regulatory accounting principles for the thrift industry.

The FDIC's estimate of S&L losses is contained in a report released today on the status of the agency's administration of conservatorships. Including the 219 institutions now in conservatorship, the number of institutions now targeted to be in the program totals 279 with assets of $115.5 billion.

FDIC Chairman L. William Seidman said: "This report indicates that the Administration's program is based on realistic loss estimates. It outlines the steps that have been taken to stabilize these institutions, and to verify their true financial condition. The report shows that concrete progress has been made in reducing losses and preparing to structure permanent solutions to their problems when President Bush's S&L legislation is enacted."

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Other highlights from the FDIC report include:

- Approximately 50 percent of the conservatorships have been in operation for two full months. Cost savings averaging $13.6 million per month have been achieved at these institutions. On an annualized basis, $105 million in savings are anticipated. FDIC managing agents have eliminated nearly 1,000 positions in S&Ls under their supervision.

- FDIC and FSLIC fraud specialists and other supervisory personnel have uncovered potential criminal violations in about 50 S&Ls, resulting in criminal referrals to the Department of Justice. A total of 35 FDIC fraud specialists are investigating serious cases of fraud and insider abuse in 29 institutions.

- As of May 12, 1,029 FDIC employees were assigned to 219 conservatorships, including 513 examiners. The number of examiners will decline to less than 100 by the end of June -- about 4.0 percent of the agency's field examiner force. Bank examinations declined 22 percent since the conservatorship program began on February 3, compared to the same period a year earlier; however, the number of exams this year will be slightly more than in 1988. In 1988, the FDIC conducted 4,019 examinations. For all of 1989, the FDIC projects that total examinations will be about 4,100, nine percent less than originally scheduled, but ahead of the previous year. Most of the decline since the conservatorship program began represents short-term postponements of examinations of well-run banks. No examinations of problem banks have been delayed.

- At present, 20 S&Ls have been certified and eight are in process to participate in funding arrangements provided by the Federal Reserve, FHL banks and Treasury. Only two S&Ls are currently using this funding.

- The FDIC's S&L Management Group has met with 100 potential acquirers and responded to about 400 written requests for information on purchasing

S&Ls. Twelve groups have been qualified to conduct limited on-site due diligence of 11 institutions. Parties involved include other S&Ls, banks, private investors, homebuilders, commercial real estate developers, securities firms, insurance companies and specialized investment funds.

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