FDIC STATUS REPORTS

Attached are summary reports reflecting the status of our four task groups charged with responsibility for FDIC current involvement in President Bush's S&L program. The groups are:

Group	Director
Operations	William Roelle
Planning	Roger Watson
Resolutions	Louis Wright
Fraud	James Dudine

S&L MANAGEMENT GROUP
OPERATIONS SECTION

S&Ls Under Conservatorship

As of April 15th, there were 215 S&Ls with combined gross assets of $93.8 billion in the conservatorship program. This included 212 RAP insolvent S&Ls, and three S&Ls that reported RAP solvency when placed in conservatorship. These three institutions are Lincoln S&L and Gibraltar S&L of California, and a Gibraltar affiliate in Washington State. The combined assets of these three institutions is $20.4 billion. Since April 15, 4 more RAP insolvent S&Ls have been added to the program.

The 212 RAP insolvent S&Ls have combined gross assets of $73.4 billion and represent 77% of the number and 77% of the assets of the RAP insolvent S&Ls currently on our target list. Our target list now contains 276 RAP insolvent S&Ls with $95.1 billion in assets. The list has continued to increase from the 237 institutions reporting RAP insolvency as of year-end 1988.

Staffing

As of May 12, a total of 1,146 people, including 1,029 from the FDIC, were engaged in examinations, asset reviews or administration of the conservatorships. These figures exclude about 20 FDIC staff dedicated to this effort in Washington. The cost of the conservatorship program is being billed to FSLIC. Charges thru April 30, 1989 total $18,909,000, including $10,950,000 for the month of April.

Supervisory personnel account for 513 or 50% of the FDIC staff involved in the program. This number should decline fairly quickly as examination efforts wind down. More than 60% of the S&Ls already have had modified exams. Also, we are in process of transferring chief managing agent responsibilities from examiners to liquidators. We anticipate that the number of examiners involved on a full-time basis should decline to less than 100 by the end of June -- about 4.0% of the FDIC's field examiner force.

The use of examiners in the S&L effort should not have any significant adverse impact on long-term supervisory responsibilities. Thus far, we have experienced a 22 percent decline in the number of examinations, compared to the same period last year. However, the level of exams is about the same as during 1987. Most of the decline during 1989 reflects the postponement of predominantly satisfactorily run banks. Our Division of Bank Supervision (DBS) should be able to resume normal examination activity within the next few weeks. For the year, DBS estimates it will complete about 4,100 exams, about 9 percent fewer than originally scheduled.

Loss Estimates

RAP insolvent S&Ls tend to have the highest loss rates and, thus far, our findings are in line with earlier cost estimates by the Administration and our research department for resolving the S&L crisis. As of April 14, asset reviews had been completed on 158 RAP insolvent S&Ls with aggregate assets of $63.4 billion. Based on these reviews and examination findings, we have estimated the total loss for the 212 RAP insolvent S&Ls at $29.4 billion, or 40% of their gross assets. (Loss estimates for Lincoln and the two Gibraltar institutions are not yet available.) As might be expected, the loss rate varies significantly. On a regional basis, the loss rate is highest in the Southwest.

Operations - Expenses and Funding

Based on two full months of operations in at least half of the conservatorships, we have achieved monthly reductions in non-interest expenses averaging about $13.6 million. Instances where expenses increased were primarily attributed to initiation of legal actions against delinquent borrowers and other costs designed to achieve longer-term cost reductions. Actions taken to date to reduce operating expenses (excluding interest expense) are expected to result in additional savings of about 5% or $105 million on an annualized basis. Nearly 60% of these savings stem from reductions in employee costs and management services. Thus far, we have terminated or left unfilled (upon resignations) 961 positions.

Funding for most of the S&Ls taken into conservatorship remains a vital and complex issue. The attached Funding Summary Report shows that the S&Ls have continued to experience an erosion of core deposits. From year-end 1988 to May 8, 1989, these S&Ls have experienced outflows amounting to about 9.14% of non-brokered deposits. These funds have had to be replaced through increased reliance on brokered deposits, repos, and advances from the Federal Home Loan Banks. In some instances, outflows have been funded through asset sales, although major efforts to downsize are pending submission and review of business plans by the S&L Management Group. Fortunately, however, asset sales have been sufficient to offset increased funding costs caused by deposit erosion and higher interest rates.

At this point, a total of 20 S&Ls have been certified and 8 in process to participate in the Emergency Backup Funding arrangements provided by the Federal Reserve, Federal Home Loan Banks and Treasury. However, only 2 institutions are actually using this source of funding at this point. Balancing liquidity needs and funding costs remains a delicate issue.

Attachments

5/17/89

S&L CONSERVATORSHIP ESTIMATED LOSS PROFILE

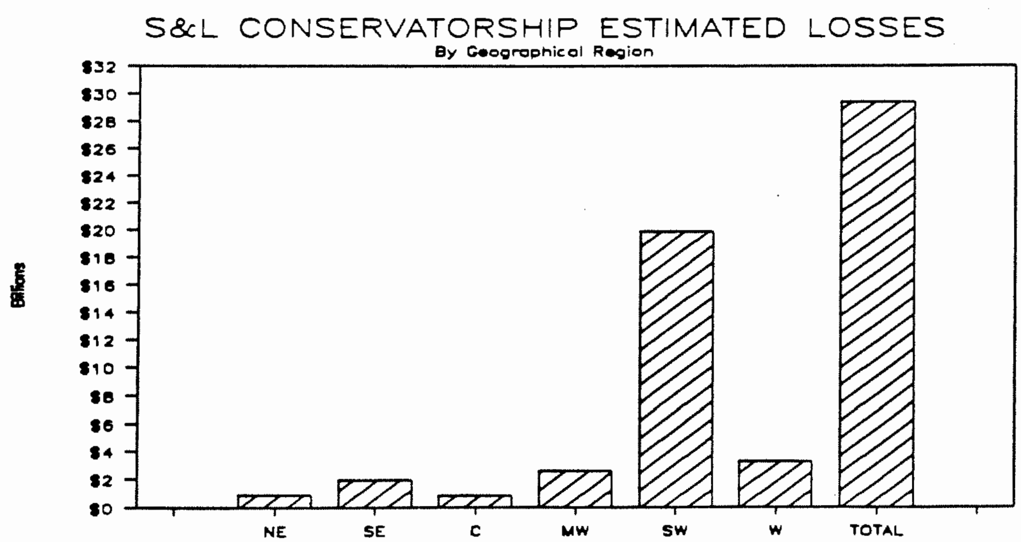
Dollar Amounts in Millions

As of April 14, 1989

REGION	NO.	3-31-89 ASSETS	% ASSETS APPRAISED	ESTIMATED ASSET LOSSES	ADJUSTED NET WORTH DEFICIT	ESTIMATED LOSSES	LOSS RATIO
NORTHEAST	8	6,163	100%	1,135	(281)	854	14%
SOUTHEAST	32	6,415	75%	1,327	613	1,940	30%
CENTRAL	18	4,827	87%	779	49	828	17%
MIDWEST	25	8,188	90%	1,867	718	2,585	32%
SOUTHWEST	96	36,374	88%	14,784	5,088	19,872	55%
WEST	33	11,389	78%	2,466	847	3,313	29%
TOTAL	212	73,355	86%	22,358	7,034	29,392	40%

States with a significant number of S&L's in Conservatorship

STATE	NO.	3-31-89 ASSETS	% ASSETS APPRAISED	ESTIMATED ASSET LOSSES	ADJUSTED NET WORTH DEFICIT	ESTIMATED LOSSES	LOSS RATIO
Arkansas	11	3,633	100%	1,137	547	1,684	46%
California	14	2,745	56%	557	533	1,090	40%
Colorado	11	2,564	49%	715	31	746	29%
Florida	12	3,525	100%	721	496	1,217	35%
Illinois	13	2,452	87%	441	33	474	19%
Kansas	13	2,404	98%	465	96	561	23%
Louisiana	15	1,531	100%	720	278	998	65%
Texas	63	28,996	86%	11,981	3,813	15,794	54%
Other States	60	25,504	88%	5,621	1,207	6,828	27%



NOTE: Figures represent 212 S&L's in conservatorship.

REGIONS

NORTHEAST:

Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Porta Rico, Rhode Island, Vermont.

SOUTHEAST:

Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia.

CENTRAL:

Illinois, Indiana, Kentucky, Michigan, Ohio, Wisconsin.

MIDWEST:

Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota.

SOUTHWEST:

Arkansas, Louisiana, New Mexico, Oklahoma, Texas.

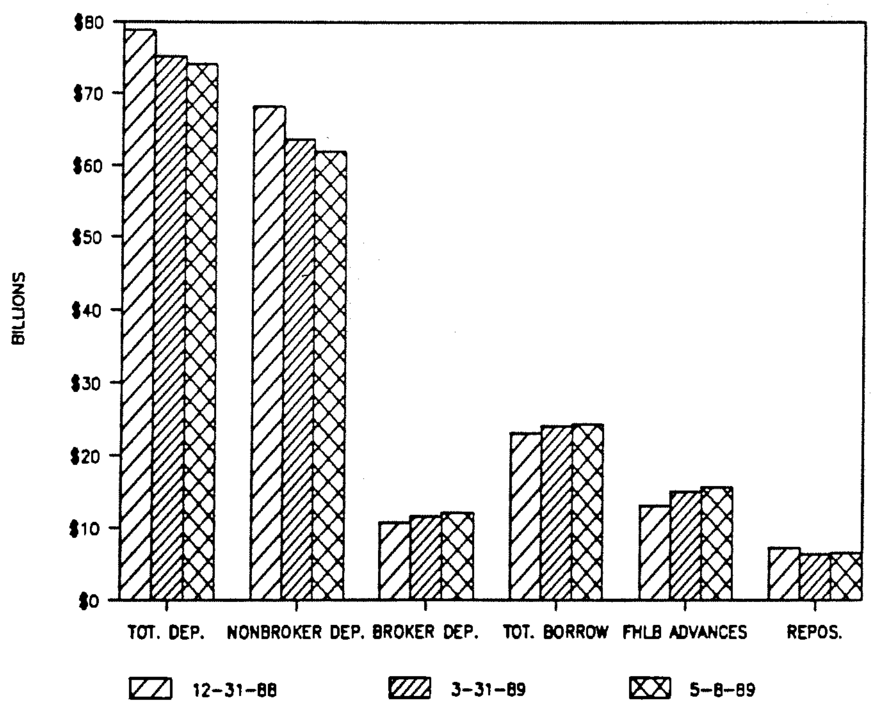
WEST:

Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, Oregon, Pacific Islands, Utah, Washington, Wyoming.

S&L CONSERVATORSHIPS
FUNDING SUMMARY REPORT
(000's) Omitted
As of 5/8/89

	12/31/88	03/31/89	05/08/89	% CHANGE 12/31/88 TO 03/31/89	% CHANGE 12/31/88 TO 05/08/89	% CHANGE 03/31/89 TO 05/08/89	% OF TOTAL 12/31/88	% OF TOTAL 03/31/89	% OF TOTAL 05/08/89
BROKERED DEPOSITS	10,704,892	11,590,197	12,194,460	8.27%	13.91%	5.21%	10.50%	11.68%	12.39%
NON-BROKERED DEPOSITS	68,119,998	63,591,268	61,893,340	-6.65%	-9.14%	-2.67%	66.84%	64.09%	62.90%
TOTAL DEPOSITS	78,824,890	75,181,465	74,087,800	-4.62%	-6.01%	-1.45%	77.35%	75.77%	75.29%
REVERSE REPOS	7,285,470	6,419,073	6,545,584	-11.89%	-10.16%	1.97%	7.15%	6.47%	6.65%
FHLB ADVANCES	13,088,791	15,052,093	15,695,490	15.00%	19.92%	4.27%	12.84%	15.17%	15.95%
OTHER BORROWINGS	2,713,200	2,575,242	2,072,098	-5.08%	-23.63%	-19.54%	2.66%	2.60%	2.11%
TOTAL BORROWINGS	23,087,461	24,046,408	24,313,172	4.15%	5.31%	1.11%	22.65%	24.23%	24.71%
TOTAL	$101,912,351	$99,227,873	$98,400,972						

FUNDING TRENDS – S&L CONSERVATORSHIPS



Note: Figures represent 219 S&L Conservatorships.

S&L MANAGEMENT GROUP
PLANNING SECTION

The Section's primary mission is to develop policies for handling RAP insolvent S&Ls. This encompasses strategies to preserve franchise values during the conservatorship period, as well as approaches for resolving the S&Ls and handling their problem assets once funding becomes available.

The Planning Section has participated in numerous meetings with public and private sector experts or interested parties in the S&L industry. We are nearing completion of a draft Planning and Strategy document which will offer advice to RTC on what issues need to be addressed and how resolving S&Ls might be approached. The document will cover criteria for prioritizing resolutions, including some specific suggestions; desirable structures for assisted acquisitions; policies toward capitalization, tax issues, forbearance and conversions from SAIF to BIF; and how to dispose of assets that are not retained by acquirers.

Other activities include arranging for the orderly sale of mortgage servicing rights, designing guidelines for Managing Agents regarding the preparation of Conservator Operating Plans and the sale of various parts of the S&L franchise.

S&L MANAGEMENT GROUP
RESOLUTIONS SECTION

The primary mission of the Resolutions Section is to provide a contact point for interested acquirers of S&Ls in the conservatorship/receivership program. The Section does not engage in negotiations but does meet with potential acquirers to discuss the S&L of interest, the type of transaction sought, and to identify any issues such transactions would raise.

Thus far, the Section has met with about 100 different potential acquirers and responded to about 400 letters from interested parties. Under guidelines developed by this Section, twelve groups have been approved to begin limited on-site due diligence of eleven S&Ls. With the exception of certain larger West Coast and Southwest institutions, most of the general interest to date has been in S&Ls located on the East Coast, with the Midwest being the next most popular location. As for Texas, the state with the most insolvent S&Ls, the interest is very high for certain larger institutions in certain metropolitan locations and almost nonexistent for certain smaller institutions in large metropolitan and rural locations.

The potential acquirers have a fairly broad background, including other S&Ls, banks, private investors, homebuilders, commercial real estate developers, securities firms, insurance companies, and specialized investment funds.

Related activities of the Section include:

1. Developing a comprehensive list of interested acquirers;

2. Developing recommended bidder qualifications;

3. Identifying and reviewing the various regulatory and supervisory issues for different classes of acquirers;

4. Prioritizing troubled savings associations for resolution; and

5. Working with the Planning Section on the development of recommendations on the structure of transactions, as well as capital, tax, forbearance, exit and entrance fee, and asset management issues.

S&L MANAGEMENT GROUP
FRAUD SECTION

The Fraud Section serves as coordinator for the Operations Section regarding the need for specially-trained fraud investigators. These specialists provide advice on, as well as perform, investigations of complex fraud or abuse situations.

Thus far, fraud specialists and members of the operations group have discovered potential criminal violations in about 50 S&Ls in conservatorship. These violations have been referred to the Department of Justice and are in addition to the numerous criminal referrals made earlier by the FHLBB and FSLIC involving these same institutions.

As might be expected, most of the potential criminal violations referred to the Justice Department by the S&L Management Group thus far involve fraudulent transactions and misrepresentations in real estate financings. However, new evidence of insider abuse has been discovered in several of the S&Ls, leading to the referral of additional information relating to previously identified violations.

Thus far, we have dispatched a total of 35 fraud specialists to assist in investigating the more serious cases of fraud and insider abuse in 29 of the S&Ls in conservatorship. Generally, these investigations are time-consuming and will have to continue for some time into the future to ensure that those responsible for the fraudulent losses receive the attention they deserve from the criminal justice system.