



NEWS RELEASE

FOR IMMEDIATE RELEASE

PR-213-89 (11-6-89)

CHAIRMAN SEIDMAN TELLS THRIFT EXECUTIVES WHAT TO EXPECT FROM FDIC AS BACKUP REGULATOR

FDIC Chairman L. William Seidman today stressed a positive and cooperative approach in describing what thrift institutions can expect from the FDIC in its new role as backup regulator of thrifts under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

"The resolution of the thrift problem is a job of unprecedented proportions. That means we need each other's help. Together, we can put the train back on its tracks — and that's how we intend to go about it — in a positive and cooperative way," Mr. Seidman told executives attending the annual convention of the U.S. League of Savings Institutions in Chicago. "We intend to operate in a well coordinated way with the Office of Thrift Supervision, and have signed an agreement that outlines how this will be accomplished," he observed.

In gearing up for its new responsibilities, Mr. Seidman reported, the FDIC is taking these steps:

- o The Division of Supervision will expand its supervisory staff by about 500 over the next year.
- o The FDIC will conduct or participate in examinations of about 500 to 700 S&Ls during the next year, and conduct at least a visitation to every thrift by the end of 1990.

Chairman Seidman said thrifts can expect the following differences when they are visited by FDIC examiners:

- o The FDIC's regulations generally are far less numerous and detailed than those of the old Federal Home Loan Bank Board.

(more)

- o The FDIC places great emphasis on examiners' judgment and findings.
- o The FDIC expects a thrift institution's Board of Directors to participate in the examination process.
- o The FDIC generally sends in larger teams to examine institutions than thrifts may be used to, allowing for a quicker examination report turnaround.
- o The FDIC will perform detailed asset quality reviews.
- o The FDIC will "approach the subject of capital with fervor."

"Having said all that," Chairman Seidman continued, "I firmly believe you will find our examiners competent, professional and helpful. Their goal is the same as yours -- to ensure that your institutions' safety and soundness are preserved."

Moreover, he said, "although we have been examining thrifts for years -- the savings banks -- we are striving to develop an even better understanding of your industry." The FDIC is looking forward to working with the new SAIF Industry Advisory Board, Chairman Seidman said.

In the next few weeks, he added, the FDIC will issue for comment new policies and procedures in several areas that will affect thrifts, including: exercise of state powers that exceed federal powers; notice of creation of subsidiaries; the divestment of impermissible equities and junk bonds; the use of brokered funds by troubled institutions; and the role of purchased mortgage servicing rights in determining capital adequacy.

####