FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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FDIC CHAIRMAN COMMENDS SAVINGS BANKS FOR OUTSTANDING PERFORMANCE DURING 1986

The nation's savings banks are continuing to demonstrate a remarkable and encouraging recovery, posting strong gains during 1986 in all major financial indicators, according to Federal Deposit Insurance Corporation Chairman L. William Seidman.

"Your recovery is being helped by favorable interest rates. But more importantly, you are progressing due to the industry's sound and prudent management, strong regulatory apparatus and the appropriate use of capital forbearance in the form of net worth certificates," Mr. Seidman said.

During his remarks delivered today in Washington, D.C., to members of the National Council of Savings institutions, Mr. Seidman noted the most recent statistics compiled by the FDIC show savings banks now are among the best capitalized financial institutions in the country.

"Your average equity capital ratio rose from 5.66 percent at the end of 1985 to about 7.86 percent today. This outstanding increase is reflected in both a strong return on equity of nearly 13 percent and improved access to the capital markets. Moreover, you are building a quality portfolio. Your return on assets was a robust one percent last year, and only one percent of the FDIC-insured savings banks lost money," Mr. Seidman said.

Mr. Seidman commended savings bank managers for steering clear of "get rich quick" investment strategies during the past few years as they searched for ways to recover profits lost during the early 1980's. "Only a few short years ago--during 1981--your industry lost $1.5 billion. This year you netted nearly $2 billion," Mr. Seidman noted.

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The FDIC Chairman praised the industry for avoiding speculative and risky investment opportunities that held the potential for quick and sizable profits. "Less than one percent of your loans are not performing, which suggests you have steered clear of the pitfalls which have created some of the problems now confronting the Federal Savings and Loan Insurance Corporation," he said.

"It is important to note that as problems in the savings and banking industries surface, the FDIC has the independence which allows it to organize, deploy resources quickly and apply the appropriate supervisory remedy," Mr. Seidman commented. "Unfortunately, the FSLIC has not enjoyed that freedom," he added.

Mr. Seidman commended the action yesterday of the Senate Banking Committee in its recommended bill recognizing the independence of the FDIC.

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