



PRESS RELEASE

Federal Deposit Insurance Corporation

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CHAIRMAN HOVE SAYS FDIC CLOSELY MONITORING YEAR 2000 PROBLEMS

FOR IMMEDIATE RELEASE

FDIC Chairman Andrew C. Hove, Jr. told Congress today that most banks supervised by his agency are aware that they face serious disruptions if their computer systems are not modified to handle dates correctly after the year 1999.

The FDIC is monitoring the situation closely -- since March, the FDIC and state bank regulators have evaluated 2,081 financial institutions and 44 software vendors -- and is ready to act if banks do not address the problem, he said in testimony before a Senate Banking, Housing and Urban Affairs subcommittee.

"Supervisory action will be taken, including enforcement action where warranted, if an institution is not giving this issue the attention it deserves," he told the Financial Services and Technology subcommittee.

Problems could arise in the year 2000 because most computers store dates with only the last two digits. As a result, computers won't know whether to interpret "00" as 2000 or 1900.

Chairman Hove told the subcommittee that unless bank computer systems are fixed, consumers could lose access to their funds. The FDIC is also concerned about the prospect of increased credit risk if corporate borrowers are unable to receive payments because of year 2000 problems.



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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"While it is too early for the FDIC to predict whether any institution may fail as a result of year 2000 problems, we will be ready to intervene should an institution's viability be threatened by its inability to maintain accurate books and records," he said.

The majority of FDIC-supervised institutions either use third-party servicers or purchase software packages to run on their own systems. The FDIC's review indicates that most vendors are working to address the problem, but are not yet year 2000 compliant.

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