



# PRESS RELEASE

Federal Deposit Insurance Corporation

August 25, 1998

Media Contact:  
David Barr (202) 898-6992

## **FDIC ANNOUNCES STRONG MID-YEAR EARNINGS IN BANK AND THRIFT INSURANCE FUNDS**

FOR IMMEDIATE RELEASE

The Bank Insurance Fund (BIF) earned \$637 million in the first half of 1998, according to an FDIC report on the Corporation's unaudited financial statements. The Savings Association Insurance Fund (SAIF) earned \$242 million for the same period.

Both funds closed the second quarter with record fund balances—the BIF with \$28.9 billion and the SAIF with \$9.6 billion. The continuing low numbers of bank and thrift failures contributed to the strong results. Only one BIF-insured bank failed during the first six months; no SAIF-insured thrift was closed.

BIF revenue totaled \$858 million for the six months ending June 30, 1998, including \$827 million in interest on investments in U.S. Treasury securities and \$8 million in deposit insurance assessments. The SAIF received \$282 million in revenue, consisting of \$278 million in interest on investments in U.S. Treasury securities and \$4 million in deposit insurance assessments. The FSLIC Resolution Fund (FRF) assets in liquidation were reduced by 24 percent, or \$563 million, to \$1.8 billion in the first half of 1998. Federal Financing Bank borrowings for the FRF, including accrued interest, were reduced by \$492 million to \$357 million.

The U.S. Department of the Treasury has concluded that payment for judgments in most supervisory goodwill litigation should come from the FRF. Damages sought in the supervisory goodwill cases are in the "tens of billions of dollars," according to the Court of Federal Claims. Goodwill cases are those in which certain alleged agreements entered into by the Federal Home Loan Bank Board and the Federal Savings and Loan Insurance Corporation are claimed to have been breached when Congress enacted legislation affecting the thrift industry and that legislation was implemented by the Office



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.

FDIC press releases and other information are available on the Internet at [www.fdic.gov](http://www.fdic.gov), by subscription electronically (go to [www.fdic.gov/about/subscriptions/index.html](http://www.fdic.gov/about/subscriptions/index.html)) and may also be obtained through the FDIC's Public Information Center (877-275-3342 or 703-562-2200). PR-58-98

of Thrift Supervision. Future goodwill litigation settlements cannot be reasonably estimated now. However, if substantial final judgments are entered against the United States in the goodwill cases, available resources will likely not be sufficient to satisfy these obligations. Under such circumstances, 12 U.S.C. 1821a(c) provides that "the Secretary of the Treasury shall pay to the Fund such amounts as may be necessary, as determined by the [FDIC] and the Secretary, for FSLIC Resolution Fund purposes." Accordingly, Congress may need to appropriate additional funds to the FRF to carry out this provision. The FRF's June 30 financial statements are the first to reflect amounts required to settle "goodwill" cases. The amounts, totaling \$104 million, are for settlements reached to date.

The FRF was established in 1989 to assume the remaining assets and obligations of the former Federal Savings and Loan Insurance Corporation (FSLIC). On January 1, 1996, the former Resolution Trust Corporation's (RTC) financial operations were merged into the FRF.

Last Updated 07/14/1999

---