



PRESS RELEASE

Federal Deposit Insurance Corporation

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FDIC Broadens Use Of Its Streamlined "Merit" Examination Program

FOR IMMEDIATE RELEASE

The Federal Deposit Insurance Corporation (FDIC) announced today that it is broadening the use of its streamlined examination program called "MERIT" (for Maximum Efficiency, Risk-Focused, Institution Targeted Examinations). Well-rated insured banks with total assets of \$1 billion or less will now be eligible for examination under the streamlined program. The MERIT program was originally limited to well-rated banks with total assets of \$250 million or less.

"The success of the MERIT program led us to expand its use," said Donald Powell, Chairman of the FDIC. "The way we examine banks will continue to evolve to ensure that the Corporation's resources are focused on the areas of greatest risk, while preserving the integrity of the examination process."

Michael J. Zamorski, Director of the FDIC's Division of Supervision and Consumer Protection, added: "Among the program's overall benefits are less examiner time spent on-site in examinations of well-rated banks and more examination resources devoted to institutions that pose higher risks."

The MERIT program applies to well-capitalized insured depository institutions that meet basic eligibility criteria, including component and composite ratings of "1" or "2," stable management and effective loan-grading systems. The program was implemented in April 2002 as part of the FDIC's ongoing efforts to refine its risk-focused examination process. During a MERIT examination, examiners devote significant attention to the overall assessment of the institution's risk-management processes, and spend less time engaged in transaction testing. Examiners review an institution's lower-risk activities primarily through discussions with management and by monitoring the activities through various off-site analytical programs.

The MERIT program is just one component of a multi-faceted, corporate-wide process redesign effort initiated by Chairman Powell.



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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