PRESS RELEASE
Federal Deposit Insurance Corporation

FOR IMMEDIATE RELEASE
April 4, 2006

Media Contact:
David Barr (202) 898-6992
dbarr@fdic.gov

U.S. Regional Banking and Economic Performance Remained Strong into Early 2006

FDIC analysts identify flat yield curve and slowing housing markets as possible sources of concern for the remainder of year

Despite regional disparities in job growth and a high degree of reliance on real estate, the economy and the banking industry both continue to perform well across most areas of the nation, FDIC analysts reported in the spring 2006 editions of ***FDIC Regional Profile*** and ***FDIC State Profiles*** released today.

"Moderate to strong job growth across much of the nation is helping to support loan growth and credit quality at federally insured banks and thrifts," said FDIC Chief Economist Richard A. Brown. "However, heavy dependence on mortgage and construction lending is making some banks more vulnerable to regional downturns in real estate activity."

In today's report, FDIC analysts noted that while average U.S. home prices increased at a double-digit rate for the second consecutive year, rising inventories and slowing sales point to possible moderation in housing activity for the remainder of 2006. Analysts also noted rapid growth in commercial real estate (CRE) and construction and development (C&D) lending and higher concentrations of these loan types as a percent of capital.

FDIC-insured institutions posted a fifth consecutive year of record earnings in 2005. However, the report indicates that a flat *yield curve spread* (the difference between long-term and short-term interest rates) is beginning to take a toll on net interest margins, which could slow growth in bank earnings.

Analysts in the FDIC's Dallas Region cautioned that long-term prospects remain uncertain for institutions headquartered in the areas hardest hit by Hurricane Katrina. While all of the net jobs lost in Mississippi after the hurricane were regained by February, only about 17 percent of jobs lost in Louisiana have been recovered.
FDIC State Profiles and ***FDIC Regional Profile*** are quarterly state-by-state and regional snapshots of economic and banking trends. The current editions of these publications highlight trends through the fourth quarter of 2005 and feature:

- analyses of recent job growth trends by Census region
- an overview of activity in regional housing markets
- examination of the effects of a flat yield curve on certain types of banks
- assessment of insured institution credit quality and loan growth across the country