PRESS RELEASE

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FDIC Reports that Housing Slowdown Poses Challenge to Bank Loan Growth

The recent slowdown in residential construction could reduce the demand for mortgages and commercial real estate and construction loans -- activities that have been important factors in loan growth for banks and thrift institutions in recent years. That's according to the Winter 2006 edition of ***FDIC Outlook*** released today, which analyzes economic and banking conditions in eight regions.

"While employment and income trends are positive in almost every region, the effects of the slowdown in residential construction activity are clearly visible," said FDIC Chairman Sheila C. Bair. "Going forward, insured banking institutions should pay careful attention to risk-management processes in this slower-growth environment."

The FDIC report also shows that the ongoing expansion in service industries such as professional and business services appears to be offsetting the effects of the slowdown in housing and, to a significant degree, the Midwest automobile sector. The new report follows the FDIC announcement last week that, despite narrow net interest margins and a high degree of reliance on commercial real estate lending, FDIC-insured banks and savings institutions had a sixth consecutive year of record earnings in 2006.

Among the findings around the country reported in the new ***FDIC Outlook*** are:

Atlanta Region: Continued weakness in the housing sector could moderate the demand for real estate construction loans and slow bank revenue growth during 2007.

Chicago Region: Weaknesses in the domestic automobile sector are weighing on employment growth, housing markets and the relative performance of the Region's FDIC-insured institutions. FDIC analysts show whether other economic sectors, primarily the services sector, are helping to balance weakness in manufacturing.

Dallas Region: Unlike most parts of the country, the energy and housing sectors have been key drivers of recent economic growth in the Southwest. In the Mid-South, analysts note some important differences in economic activity between rural and urban counties that appear to also be reflected in measures of banking sector activity.

Kansas City Region: The unique rural and agricultural nature of this Region makes it increasingly vulnerable to ongoing rural depopulation, changes in agricultural policy, and long-term water shortages.

New York Region: The Mid-Atlantic and New England areas are home to a relatively large share of residential mortgage lenders. Analysts in these areas assess the potential for strength in other economic sectors to mitigate the negative effects of a downturn in housing.

San Francisco Region: The construction sector has driven much of the Region's recent economic expansion, contributing to high and increasing concentrations of commercial real estate and construction loans. Further weakening of the housing sector would slow both economic growth and loan demand for FDIC-insured institutions in the Region.

The Winter 2006 edition of ***FDIC Outlook*** is available on the Web at www.fdic.gov/bank/analytical/regional/index.html.