1983 ANNUAL REPORT

FEDERAL DEPOSIT INSURANCE CORPORATION

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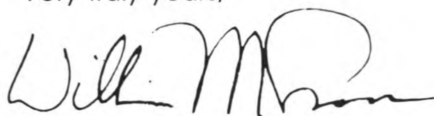
Federal Deposit Insurance Corporation
Washington, D.C.
June 1, 1984

SIRS: In accordance with the provisions of section 17(a) of the Federal Deposit Insurance Act, the Federal Deposit Insurance Corporation is pleased to submit its Annual Report for the calendar year 1983.

Very truly yours,



William M. Isaac
Chairman

The President of the U.S. Senate

The Speaker of the U.S. House of Representatives

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BOARD OF DIRECTORS

William M. Isaac

William M. Isaac has been Chairman of the Federal Deposit Insurance Corporation since August 3, 1981. He was appointed to a six-year term on the FDIC's Board of Directors in March 1978. From 1974 to 1978 he was vice president, general counsel and secretary of First Kentucky National Corporation and its subsidiaries, First National Bank of Louisville and First Kentucky Trust Company. From 1969 to 1974 he practiced law with Foley & Lardner, Milwaukee, Wisconsin. A native of Bryan, Ohio, Mr. Isaac received his undergraduate degree from Miami University, Oxford, Ohio, and his law degree (summa cum laude) from The Ohio State University, Columbus, Ohio.

Irvine H. Sprague

Irvine H. Sprague, a member of the Federal Deposit Insurance Corporation Board of Directors from 1969 to 1972, and from 1979 to date, served as FDIC Chairman from February 1979 to August 1981. He has held a number of other government positions, including Special Assistant to President Lyndon Johnson in the White House, Deputy Director of Finance for the State of California, and Executive Director of the Steering and Policy Committee in the U.S. House of Representatives. Mr. Sprague, a native of Stockton, California, is a graduate of the College of the Pacific and the Advanced Management Program at Harvard and also attended George Washington University and Indiana University. Mr. Sprague entered the Army in World War II as a private and retired from the Army Reserve as a lieutenant colonel. He earned the Combat Infantry Badge, Purple Heart, California Medal of Merit and two Bronze Stars.

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C. T. Conover

C. T. Conover became Comptroller of the Currency in December 1981. Mr. Conover, a native of Bronxville, New York, who holds a BA from Yale University and an MBA from the University of California at Berkeley, started in banking as a management trainee with Seattle-First National Bank. He came to the Comptroller's post from Edgar, Dunn & Conover, Inc., a general management consulting firm he helped found in San Francisco. Earlier he was part of the management consulting group of Touche Ross & Co., San Francisco, serving as a principal and national services director from 1974 to 1978. Prior to that, Mr. Conover was vice president of U.S. Bancorp, Portland, Oregon. He was a management consultant with McKinsey and Company from 1965 to 1972.

The Board of Directors of the FDIC: (from left) Irvine H. Sprague, Director; C. T. Conover, Comptroller of the Currency, and Chairman William M. Isaac.

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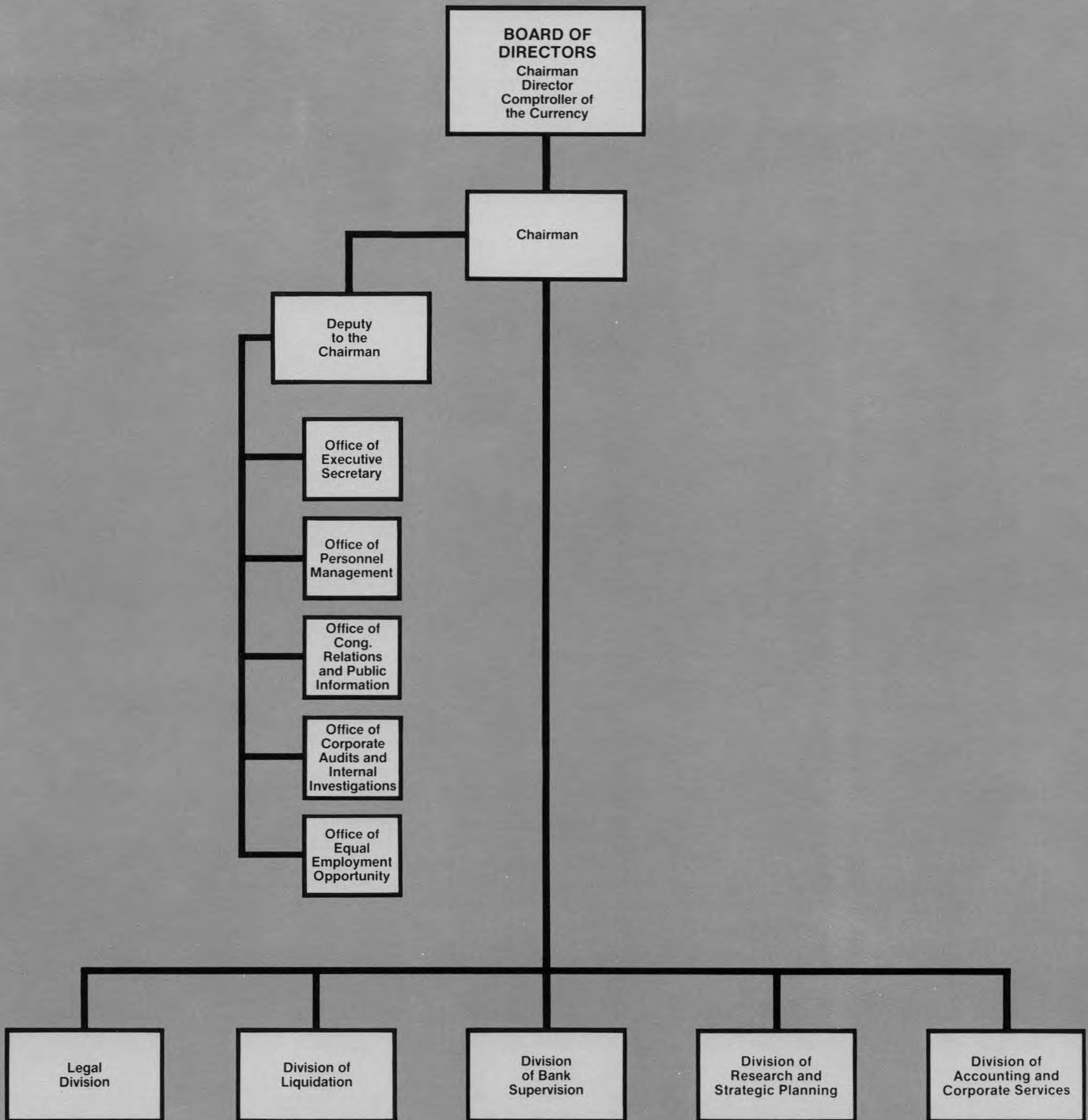

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The FDIC Senior Management Group: (from left) Robert V. Shumway, Director, Division of Bank Supervision; Margaret L. Egginton, Deputy to the Chairman; Stanley C. Silverberg, Director, Division of Research and Strategic Planning; Chairman William M. Isaac; James A. Davis, Director, Division of Liquidation; Stanley J. Poling, Director, Division of Accounting and Corporate Services, and Thomas A. Brooks, General Counsel, Legal Division.

FDIC OFFICIALS

Deputy to the Chairman
Margaret L. Egginton

Assistant to the Deputy to the Chairman
Christie A. Sciacca

Deputy to the Director
John R. Curtis

Special Assistant to the Director
Kenneth Fulton

Deputy to the Director (Comptroller of the Currency)
Alan Herlands

Special Assistant to the Director (Comptroller of the Currency)
Laura L. McAuliffe

Director, Division of Bank Supervision
Robert V. Shumway

General Counsel
Thomas A. Brooks

Director, Division of Liquidation
James A. Davis

Director, Division of Accounting and Corporate Services
Stanley J. Poling

Director, Division of Research and Strategic Planning
Stanley C. Silverberg

Executive Secretary
Hoyle L. Robinson

Director, Office of Congressional Relations and Public Information
Graham T. Northup

Public Information Officer
Alan J. Whitney

Director, Office of Corporate Audits and Internal Investigations
Robert D. Hoffman

Director, Office of Personnel Management
Jack C. Pleasant

Director, Office of Equal Employment Opportunity
Joe S. Arnold

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CHAIRMAN'S STATEMENT

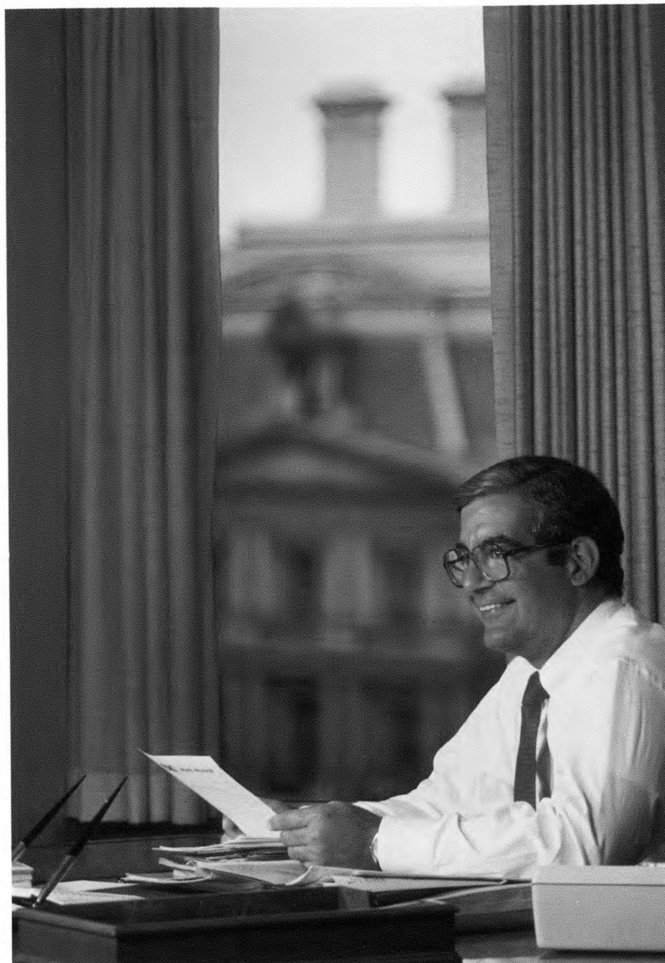
The Federal Deposit Insurance Corporation reached an important milestone on June 16, 1983, when it completed its 50th year of service to the nation and the banking public. The occasion was marked by several receptions, the dedication of a permanent lobby exhibit, and the unveiling of the design for a commemorative U.S. postage stamp to be issued early in 1984.

Although the anniversary was observed in a festive atmosphere, 1983 was a year of serious and intense activity for the FDIC. There were 48 bank failures, which was a post-Depression record, including several large institutions. This resulted in a substantial increase in the volume of assets acquired for liquidation in our role as receiver for failed banks.

Despite the challenges and the adversity, the FDIC met its responsibilities in a fashion that maintained public confidence. Operations continued smoothly and efficiently, the FDIC tested new techniques for handling failures, and the insurance fund stood at a record $15.4 billion at year's end.

The Corporation's administrative budget for the year totalled $136 million, an increase of just 4.4 percent over expenditures in 1982 following an increase of only 2.2 percent the previous year. The closing of the Madison Regional Office and transfer of its operations to the Chicago and Columbus Regional Offices resulted in a projected savings of over $1 million annually. The FDIC also completed on schedule the opening and staffing of five new Area Liquidation Offices. By decentralizing supervision of bank liquidations, the FDIC expects to cope more effectively with a growing workload.

While 1983 was a year of achievement, it also was a year in which the need for major changes in the regulatory and deposit insurance structures became increasingly apparent. Striking changes in the competitive environment for financial institutions have made it clear that the mechanisms crafted to regulate and insure them half a century ago no longer are appropriate and that change can no longer be delayed.



Chairman William M. Isaac

The most fundamental change has been the growth in competition in the banking markets flowing from deregulation. This enhanced competition has given rise to increased risk and greater opportunities for banks to fail. Our deposit insurance system continues to provide needed protection for consumers. However, because most failures result in mergers, large depositors and other bank creditors have perceived that their funds are only minimally at risk, if at all, resulting in a pronounced deterioration of market discipline.

In April, in response to a provision of the Garn-St Germain Depository Institutions Act of 1982, the FDIC submitted to Congress a deposit insurance study. Similar studies were prepared by the other deposit insurance agencies. The FDIC stressed two themes: marketplace discipline must increase as government controls on the banking industry

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are reduced, and major reforms of the regulatory and insurance systems must occur for those systems to continue to be effective and equitable in today's deregulated environment.

Legislation was introduced late in 1983 at the FDIC's request by Senator Jake Garn and Congressman Fernand St Germain to strengthen and refine the provisions of the Federal Deposit Insurance Act. The Federal Deposit Insurance Improvements Act of 1983 (bills S. 2103 and H.R. 4451) would authorize the FDIC to vary deposit insurance premium rebates on the basis of the risk that any insured bank presents to the fund. It would require that the FDIC be designated as the receiver for any closed insured bank, and it would set priorities for payment of claims against a failed bank. The proposal also would provide the FDIC with enforcement authority over national and state member banks, as well as new authority to facilitate the operations of a Deposit Insurance National Bank formed by the FDIC to wrap up the affairs of a closed bank. Finally, the legislation would eliminate the necessity of FDIC approval of branch applications by state banks.

Providing an important adjunct to these external initiatives, the FDIC's two principal operating elements — the Divisions of Liquidation and Bank Supervision — this year began developing their first long-term strategic plans. These are major efforts to chart a course for the next five years by anticipating possible industry and regulatory developments, and planning to ensure that the FDIC is properly oriented and has the resources and technology to be effective in an unpredictable environment.

The broad framework of the strategic plan being developed by the Division of Bank Supervision envisions movement from "general purpose" regulation to focusing more on safety and soundness issues. As legislative reform permits, the FDIC will withdraw from activities such as consumer and investor protection and antitrust determinations. These functions will be reassigned to other appropriate agencies and the FDIC will concentrate on its central mission of promoting safety and soundness in the banking system. This will involve the identification and control of risk within the system generally, and closely monitoring individual problem banks.

The Division of Bank Supervision adopted several measures in 1983 to initiate this new supervisory direction. One step is to examine non-problem banks once every 36 months instead of every 18 months, unless analysis of quarterly reports indicates the development of weaknesses in an institution. This enables our examining staff to concentrate on problem banks, resulting in more effective supervision and a reduction for well-run banks in their regulatory burden.

A second undertaking involves agreements with the Office of the Comptroller of the Currency and the Federal Home Loan Bank Board on cooperative examination programs for national banks and federal savings banks. These ventures focus primarily on problem banks, and are producing stronger, better coordinated supervisory efforts.

The Division of Liquidation's strategic plan aims at keeping pace with a continued high rate of bank failures, and the adoption of innovative means of handling failed banks and liquidating their assets. In addition to addressing broad policy issues, the plan calls for a major overhaul of antiquated procedures and the introduction of an advanced automated data processing capability. Specific objectives include developing improved procedures for paying off depositors with minimal disruption in the community, expanding the Division's ability to rapidly dispose of assets and increase collections while minimizing costs, increasing profits from assets being operated until they are sold, and the adoption of automated systems to improve cash and asset management.

The FDIC in 1984 will extend the long-range planning process Corporation-wide, review carefully its organizational structure, and work for progressive legislation involving further banking deregulation and an improved regulatory structure.

William M. Isaac
Chairman

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OPERATIONS OF THE CORPORATION

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THE YEAR'S ACTIVITIES

During 1983, the FDIC focused on further deregulation of the banking industry and response to changes in the industry resulting from deregulation.

As a member of the Depository Institutions Deregulation Committee (DIDC), the Chairman of the FDIC Board of Directors took part in Committee actions that accomplished almost complete deregulation of interest rates paid by insured banks and thrift institutions on deposits. All limits were removed on interest rates payable on deposits with maturities in excess of 31 days. The only remaining controls are a 5 ½ percent ceiling on passbook accounts and a 5 ¼ percent limit on NOW accounts and money market deposit accounts with balances under $2,500.

The Chairman of the FDIC also is Chairman of the Federal Financial Institutions Examination Council (FFIEC), which in 1983 approved new Commercial Bank Reports of Condition and Income that are to be effective with the filing of the March 31, 1984, reports. The revised reports reflect changes arising from deregulation and evolving industry practices and provide supervisory authorities with new and better regulatory data. The FFIEC also implemented provisions of the Garn-St Germain Act dealing with the reporting and public disclosure of insider loans by commercial and mutual savings banks.

DECISIONS AND RULINGS

The Board of Directors acted on a number of key issues during the year, including new reporting rules on brokered deposits and a policy on insider loans. The Board also solicited public and industry comment in two controversial areas: (1) possible curbs on insurance of brokered deposits, and (2) whether the FDIC should impose limits on bank involvement in new financial services outside the traditional boundaries of banking. In addition, the General Counsel issued an opinion on the legality of banks providing discount brokerage services.

Brokered Deposits

The Board of Directors voted to require that nonmember banks include in their Reports of Condition the dollar amount of their brokered deposits, regardless of the size of the deposit or the type of deposit instrument issued. Brokered deposits include those in which the entire deposit is held by a single depositor, as well as those in which the broker sells participations to one or more investors.

The rapid growth of deposit brokering is of increasing concern to the FDIC because it undermines the disciplinary check on excessive bank risk-taking normally exercised by large depositors.

Because large brokered deposits typically are divided into insured segments at different institutions, there is no need for the depositor or the broker to analyze an institution's likelihood of continued financial viability. The result is an undermining of market discipline. Such deposits also can artificially extend the life of a poorly-managed institution, increasing the FDIC's costs when market forces finally cause failure.

On November 1, the FDIC and the Federal Home Loan Bank Board jointly issued an advance notice of proposed rulemaking soliciting comment on whether regulatory or legislative steps should be taken to curb the undesirable effects of deposit brokering among banks and savings associations.

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Insider Loans

The FDIC eliminated the requirement for prior approval by a majority of a bank's board of directors of all extensions of credit exceeding in the aggregate $25,000 to one of the bank's directors, executive officers, principal shareholders, or to any of their "related interests." Instead, all loans that exceed in the aggregate five percent of capital and unimpaired surplus or $25,000, whichever is greater, must receive prior board approval. Prior approval is required for any loans that total more than $500,000. The amended rule reduced the regulatory burden by raising the threshold amount which triggers the prior approval requirement.

Non-Banking Financial Services

Noting that the erosion of traditional boundaries among banking, other financial services and general commerce is transforming the financial environment, the Board issued an advance notice of proposed rulemaking on bank involvement in historically "non-banking" activities. Specifically, the Board solicited comment on:

- the need to regulate the direct or indirect involvement of insured banks in real estate or insurance brokerage and underwriting, data processing services, travel agency activities, and other financially-related activities, and,
- what limitations, if any, the FDIC should impose on the ownership of insured banks by companies engaged in such activities.

The Board said it was motivated to explore this controversial area by its obligation, as insurer for the banking system, to monitor marketplace developments and changes in law and to assess their potential impact on bank safety and soundness.

The Task Group on Regulation of Financial Services, in 1983 completed its task of creating a regulatory restructuring plan for the federal banking agencies. Members of the Task Group (from left, facing camera) are Joseph R. Wright, Deputy Director, OMB; Martin Feldstein, Chairman of the Council of Economic Advisors; Edgar F. Callahan, Chairman, NCUA; FDIC Chairman William M. Isaac; Attorney General William French Smith; Susan Phillips, Chairman, Commodity Futures Trading Commission; Jack A. Svahn, Assistant to the President for Policy Development; John Shad, Chairman, SEC; Donald T. Regan, Secretary of the Treasury; Vice President George Bush, Task Group Chairman; Paul Volcker, Chairman of the Federal Reserve, and C. Todd Conover, Comptroller of the Currency.

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Discount Brokerage

The FDIC's General Counsel issued an opinion on the legality of insured state nonmember banks offering discount brokerage services. The opinion was issued in response to numerous inquiries about whether such banks are permitted under the Glass-Steagall Act to enter into contractual agreements with unrelated discount brokers who execute securities transactions for bank customers and share the resulting commissions with the bank.

The General Counsel concluded that banks are permitted to offer such services. The opinion noted, however, that the legality of any particular brokerage activity may vary from case to case.

SUPERVISORY OPERATIONS

The Division of Bank Supervision experienced a substantial reduction in 1983 in the number of bank examinations, from 17,886 in 1982 to 12,977 this year. This decline had two principal causes. First was a redirection of resources and emphasis from well-operated banks to problem institutions, based on the premise that the FDIC's greatest exposure is among banks that pose a threat of insolvency, not among the vast majority of banks that have a proven record of sound operation. The second factor was a threefold increase — from about 70,000 hours in 1982 to 210,000 hours this year — in details of examiner personnel to assist in the liquidation of a record number of failed banks.

The Division's reordering of its examination priorities was facilitated by the increasing sophistication of the Corporation's Integrated Monitoring System (IMS). The IMS is used for offsite analysis of quarterly bank reports, permitting financial analysts to identify and target specific problem areas.

Examiners Keith B. Nothstein (foreground) and (from left) Daniel E. Austin, Davis L. Statton and William C. Spangler, Jr., analyze assets and liabilities at the Frederick-town Bank and Trust Company, Frederick, Maryland, as they prepare their examination report.

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These problems then are addressed in short-term visits to the banks in place of more frequent full-scale examinations. The result is more efficient use of the Division's most valuable resource — its people — and diminished supervisory burden on the banking system.

Examination activities in 1983 included 4,352 safety and soundness examinations, 3,467 consumer and civil rights compliance examinations, 850 examinations of bank trust departments, 1,015 examinations of data processing facilities, 563 investigations, and 2,730 applications reviews.

Based on its examinations and bank monitoring activities, the FDIC compiles an internal list of banks that are financially unsafe or unsound and pose a threat of failure. There were 642 banks on the problem bank list at the end of 1983, compared with 369 on the list at year-end 1982. The increased number of banks on the list during 1983 reflects the continued effects of the recent economic recession and increased competition among banks due to deregulation. Most banks are removed from the problem list after applying corrective measures required by the FDIC.

The FDIC is responsible for supervising bank trust departments and was supervising 2,620 departments in commercial banks and 25 in mutual savings bank at the end of 1983, including 82 departments approved for operation during the year. The dollar volume of trust account assets in these banks totalled $75 billion.

In addition to trust department supervision, the FDIC supervised the securities activities of 288 banks that had more than $1 million in assets and 500 or more shareholders of any class of equity security, and 364 banks that were registered securities transfer agents. Provisions of the Securities Exchange Act of 1934 give the FDIC supervisory responsibility for such banks.

Applications

Banks must apply to the FDIC for deposit insurance, and this includes foreign banks seeking insurance for their U.S. branches. During 1983 the FDIC received six applications for deposit insurance in domestic branches of foreign banks. State non-member banks also must obtain FDIC permission to merge with another bank, relocate a branch or establish new offices. The FDIC also has authority over changes of control of banks and over who may serve as a director, officer or other employee of an insured bank. The following data reflect FDIC actions on applications it received during 1983.

FDIC APPLICATIONS	1983	1982
Deposit Insurance	104	75
Approved	101	73
Denied	3	2
New Branches	1,018	1,174
Approved	1,009	1,171
Branch	630	610
Ltd. Branch	89	87
Remote Service Facility	290	474
Denied	9	3
Mergers	153	110
Approved	148	108
Denied	5	2
Request for Consent to Serve	48	48
Approved	42	48
Denied	6	0
Notices of changes in control	215	182
Approved	212	182
Denied	3	0

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The FDIC in 1983 amended its procedures for processing applications to establish or relocate branches, or establish remote service facilities. Under the new rule only a letter application is needed in most cases. In addition, the applicant usually is required to publish only one notice of its intent rather than two as previously required. These changes have reduced the average processing time for branch applications from 78 days to 18 days and have cut the paperwork burden on applicants in half.

In addition to streamlining these procedures, the FDIC this year simplified its approval process for bank mergers. The FDIC must approve any merger in which the resulting bank would be an insured state nonmember bank, as well as those in which an insured bank merges with a non-insured institution. In the past, the Director of DBS and the Regional Directors had delegated authority to approve, but not deny, such transactions when they amounted to mere corporate reorganizations or "phantom" bank mergers. This year, the Board further delegated to the same officials the authority to approve, but not deny, substantive but routine merger transactions, if conditions specified in the FDI Act are satisfied and the application meets certain criteria.

This delegation of authority eliminates several levels of review, saves at least ten days in the approval process, and allows Board members to deal only with matters of greater weight and urgency. The delegation gives the FDIC greater flexibility to accommodate banks' particular circumstances if the normal 30-day waiting period might cause timing problems in a merger transaction.

Attendees at a meeting of the FDIC Board of Review are (from left); Charles Roger Denesia, (DBS); Christie A. Sciacca, (Assistant to the Deputy to the Chairman); William H. Roelle, (DACS); Alan S. McCall, (RES); Alan J. Kaplan, Deputy Executive Secretary; Laura McAuliffe, (Comptroller of the Currency); Irvine H. Sprague, FDIC Director; John R. Curtis, Deputy to the Director; Douglas H. Jones, (LEGAL); Arthur L. Beamon, (LEGAL); A. David Meadows, (DBS); Edward T. Lutz, (DBS); Carmen J. Sullivan, (DBS), and Charles E. Thacker, (DBS).

Legal Activities

In the legal area, the FDIC as receiver of closed banks is involved in extensive litigation connected with bank liquidation activities. The FDIC also acts to correct improper banking practices by issuing cease-and-desist orders (Sections 8(b) and 8(c) of the FDI Act), levying civil money penalties (Section 8(i)(2) and 18(j)(3) of the Act), and terminating deposit insurance (Section 8(a) of the Act).

The FDIC first used its authority to correct bank's weaknesses or compliance violations in 1971, and from 1971 through 1975 issued 37 cease-and-desist orders. From 1976 through 1982 the FDIC issued 293 orders. During 1983, the FDIC issued a total of 223 cease-and-desist orders.

The FDIC also is authorized to initiate termination-of-insurance proceedings against any bank in an unsafe or unsound financial condition. The bank's customers must be notified of the action, but deposits

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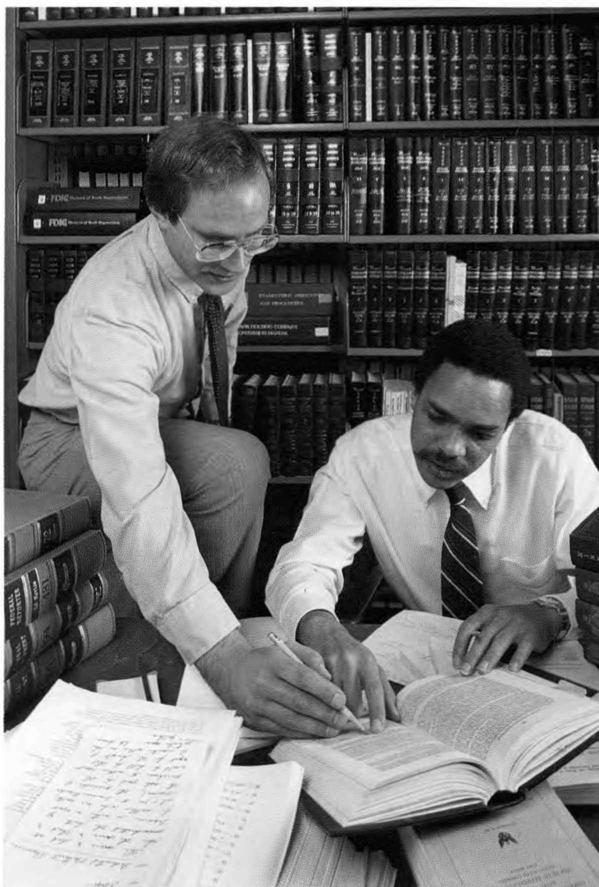

Attorney Robert E. Feldman and law clerk Laurack Bray discuss a point of law in the Library.

(less subsequent withdrawals) continue to be insured for two years.

The FDIC in 1983 initiated 26 termination-of-insurance proceedings, bringing to 307 the number of times it has taken such action since 1933. In slightly less than half of the cases, the banks involved corrected their problems. In most of the remaining cases, the banks were absorbed by other banks or ceased operations before insurance was actually discontinued.

Under Section 8(e) of the FDI Act, the FDIC may remove an officer, director or other person participating in the conduct of the affairs of an FDIC-supervised bank if the person has (1) violated a law, rule, regulation or final cease-and-desist order, (2) engaged in unsafe or unsound banking practices, or (3) breached his or her fiduciary duty. The individual's action must involve personal dishonesty or a willful or continuing disregard for the safety or soundness of the bank. Also, the action must entail substantial financial loss or other damage to the bank, seriously prejudice the interests of its depositors or result in financial gain to the individual. During 1983 nine Section 8(e) proceedings were initiated.

The FDIC levied fourteen civil money penalties in 1983.

A narrative summary of FDIC's 1983 enforcement actions, case by case but without banks' names, may be obtained from the FDIC Office of Public Information, 550 17th Street, N.W., Washington, D.C. 20429. Summaries of enforcement actions for prior years are included in the FDIC's annual reports, also available from the Office of Public Information.

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Cease-and-Desist Orders and Actions to Correct Specific Unsafe or Unsound Practices or Violations of Law or Regulations: 1980, 1981, 1982, and 1983	1983	1982	1981	1980
Cease-and-desist orders outstanding at beginning of year-total	106	78	90	88
Section 8(b)	105	78	88	88
Section 8(c)	1	0	2	0
Cease-and-desist orders issued during year	223	69	38	41
Section 8(b)	188	63	37	38
Section 8(c)	35	6	1	3
Cease-and-desist orders terminated-total	80	41	50	39
Section 8(b)	49	36	47	38
Section 8(c)	31	5	3	1
Cease-and-desist orders in force at end of year-total	249	106	78	90
Section 8(b)	244	105	78	88
Section 8(c)	5	1	0	2

Divided Examinations

In 25 states, the FDIC has formal agreements to divide the examination of non-problem (1- and 2-rated) banks with their state supervisors. The FDIC alternates examinations with state banking authorities to lighten the workload on all examiners and avoid duplication. Informal agreements to divide examinations are also in place in several other states.

The Corporation in 1982 modified its agreements with these states to arrange for the FDIC to examine non-problem banks once every 36 months instead of every other year, with the states increasing the frequency of their examinations. The new arrangement took effect in October of 1983, to give the states time to adjust to the new schedule. The FDIC expects the reduced schedule of examinations of non-problem banks to lighten its workload in this area and allow it to concentrate its resources on problem banks.

Cooperative Examinations

Late in the year, the FDIC and the Office of the Comptroller of the Currency established a cooperative examination program for national banks. The program will begin January 1, 1984, and will supplement existing programs under which the two agencies share information derived from bank examinations.

The FDIC also reached agreement with the Federal Home Loan Bank Board in 1983 on procedures for the FDIC to examine problem federal savings banks whose deposits continue to be insured by the FDIC even though the institutions have converted from state to federal charter.

The FDIC expects both programs to strengthen the overall supervisory process and provide a better, more coordinated way to supervise troubled banks. The joint efforts also will help the FDIC to be more effective in carrying out its responsibilities as receiver for failed banks.

Regional Office Realignment

In November 1983 the FDIC Board of Directors approved a Division of Bank Supervision recommendation to close the Madison Regional Office, and transfer its Wisconsin operations to the Chicago Regional Office and its Michigan operations to the Columbus Regional Office. The Madison Region historically had been one of the FDIC's smaller regions in terms of both workload and field staff. There had been a 25 percent decline since 1979 in the field examiner staff in the Madison Region because of decreasing workload, creating an imbalance between regional office and field staffs. The realignment will save the FDIC over $1 million annually.

The FDIC took immediate steps to help those employees who were displaced by the closing of the Madison Office. All employees were offered comparable jobs elsewhere in the Corporation. Plans called for the Madison Office to remain open for up to one year to provide for a smooth transition of responsibilities and to allow adequate time for assistance to any displaced employees.

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Potential acquirers of the failed First National Bank of Midland, Midland, Texas, meet with FDIC officials in Washington, D.C., to make their bids to assume the deposit liabilities of the closed bank. The successful bidder was RepublicBank First National Midland.

COMMERCIAL BANK FAILURES

Commercial bank failures received widespread attention during the year for several reasons. First, the number of failures — 48 — was the greatest since 1939, when 60 banks failed. Second, several of the failures involved large, complex institutions and, finally, some of the failures involved controversial individuals and banking practices.

United American Bank

The failure of the United American Bank (UAB) in Knoxville, Tennessee, on February 15 initially made headlines because its owner, Jake Butcher, was the principal organizer and promoter of the 1982 World's Fair and twice was a candidate for governor. Before the year was out, seven more Tennessee banks controlled by Jake Butcher or his brother, C. H. Butcher, Jr., failed. As the story unfolded, there were almost daily reports of an excessive volume of classified loans, loans to insiders, loans far from the bank's trade area, and evidence of inaccurate or deliberately misleading accounting.

The deposit liabilities and assets of UAB were transferred to First Tennessee Bank of Knoxville, a subsidiary of First Tennessee Corporation, Tennessee's largest bank holding company. The transaction was noteworthy because it marked the first use of the extraordinary acquisition provisions of the Garn-St Germain Act. The Act permits the sale of a failed bank with $500 million or more in assets to an in-state or out-of-state banking organization.

A number of firms throughout the United States were invited to submit purchase proposals to the FDIC and eight of them, including three in Tennessee, elected to do so. Because the proposal representing the lowest cost to the FDIC was by an out-of-state bidder, the Act required that a second round of bids be sought from the top bidder and from those within 15 percent of the top bid. In this round the bank was awarded to First Tennessee.

The Butcher organization consisted of approximately 40 loosely-affiliated banks and savings and loan associations operating in two FDIC regions and three different Federal Reserve Districts. A total of seven different regulatory agencies were responsible for supervising the various institutions, making detection of problems within the combined organization extraordinarily difficult.

The insolvency of UAB, and subsequently of other Butcher-related institutions, was discovered only because the FDIC undertook in late 1982 a simultaneous examination of the major Butcher-affiliated banks, committing to the task nearly 10 percent of its field workforce for almost three months.

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Other Butcher Banks

Five more banks in the Butcher empire failed on May 27 and were assumed by three other Tennessee banks. The acquisitions were accomplished through competitive bidding involving banking institutions and individuals both from within the state and from outside Tennessee. In addition to assuming deposits and other liabilities, the acquiring banks agreed to pay purchase premiums to the FDIC totaling $22.4 million. Each assuming bank purchased selected assets of the bank it acquired. To facilitate the transactions, the FDIC advanced cash to the assuming banks amounting to $402.1 million and retained assets of the closed banks having a combined book value of about $451.7 million.

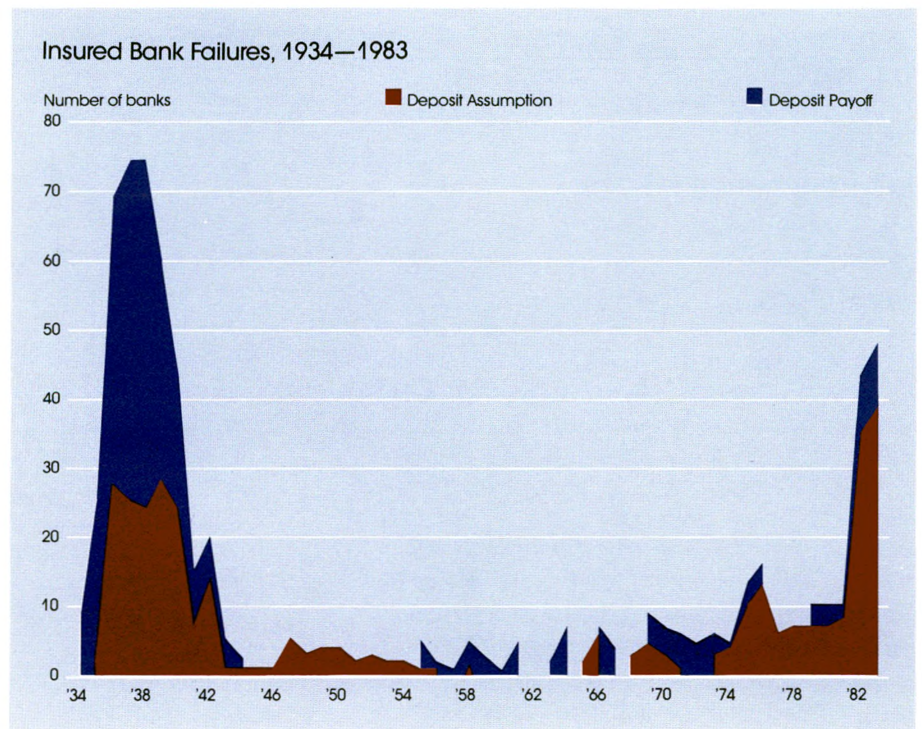
(The Commercial Bank of California, in Los Angeles, also failed on May 27, bringing the total closings for the day to six, matching the record set December 21, 1936, when six banks failed in North Dakota.)

Two other banks that had been part of the Butcher organization also failed in 1983 and their deposits were acquired by healthy banks. The First Peoples Bank of Washington County, Johnson City, Tennessee, was closed on July 29. The First Commerce Bank of Hawkins County, Rogersville, Tennessee, was closed on August 12.

At the end of 1983, the FDIC was estimating that its losses in connection with the eight failed Butcher banks would amount to approximately $382.6 million.

First National Bank, Midland, Texas

On October 14, the second largest commercial bank failure in FDIC history occurred when the deposit liabilities of First National Bank of Midland, Midland, Texas, were assumed by RepublicBank First National Midland, a newly-chartered subsidiary of RepublicBank Corporation, Dallas, Texas. With $1.4 billion in assets, First National was surpassed only by the October 1974 failure of New York City's Franklin National Bank.



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INSURED BANKS CLOSED DURING 1983 REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION

Name and location	Date of deposit payout or assumption	Number of depositors or accounts	Amount of deposits (in millions of dollars)
1. The Madison County Bank, Fredericktown, Missouri	January 21, 1983	7,100	6.6
2. State Bank of Barnum, Barnum, Minnesota	February 9, 1983	3,043	12.6
3. Dry Dock Savings Bank, New York, New York	February 9, 1983	302,531	2,038.0
4. American State Bank, Bradley, Illinois	February 12, 1983	4,868	12.5
5. United American Bank in Knoxville, Knoxville, Tennessee	February 14, 1983	134,945	584.6
6. Merchants and Farmers State Bank, Blythe, California	February 18, 1983	1,500	5.2
7. American City Bank, Los Angeles, California	February 25, 1983	25, 749	254.5
8. Newport Harbour National Bank, Newport Beach, California	March 11, 1983	2,219	44.2
9. Columbia Pacific Bank and Trust Company, Portland, Oregon	March 18, 1983	2,000	31.6
10. Pan American National Bank, Union City, New Jersey	March 18, 1983	9,900	31.3
11. Prairie County Bank, Hazen, Arkansas	March 24, 1983	3,062	15.5
12. Bear Creek Valley Bank, Phoenix, Oregon	March 25, 1983	1,973	10.9
13. The Ina State Bank, Ina, Illinois	April 8, 1983	4,627	15.9
14. Bank of San Marino, San Marino, California	April 8, 1983	2,248	12.7
15. Sparta-Sanders State Bank, Sparta, Kentucky	April 15, 1983	769	118.3
16. Heritage Bank, Ashland, Oregon	April 29, 1983	3,342	14.6
17. First National Bank of Oak Lawn, Oak Lawn, Illinois	April 29, 1983	25,172	119.4
18. Smith County Bank, Carthage, Tennessee	May 6, 1983	5,118	27.2
19. City and County Bank of Knox County, Knoxville, Tennessee	May 27, 1983	32,016	227.5
20. United Southern Bank of Nashville, Nashville, Tennessee	May 27, 1983	14,880	96.3
21. United American Bank in Hamilton County, Chattanooga, Tennessee	May 27, 1983	48,248	106.0
22. City and County Bank of Roane County, Kingston, Tennessee	May 27, 1983	7,000	36.5
23. City and County Bank of Anderson County, Lake City, Tennessee	May 27, 1983	5,871	139.6
24. The Commercial Bank of California, Los Angeles, California	May 27, 1983	5,158	23.1
25. Community Bank, Hartford, South Dakota	June 17, 1983	8,355	39.3
26. Western National Bank of Lovell, Lovell, Wyoming	June 24, 1983	2,300	17.4
27. Mineral Bank of Nevada, Las Vegas, Nevada	June 30, 1983	1,639	10.5
28. Union National Bank of Chicago, Chicago, Illinois	July 8, 1983	13,441	24.5
29. The First Central Bank, Smithville, Tennessee	July 8, 1983	3,222	18.2
30. Bank of Niobrara, Niobrara, Nebraska	July 8, 1983	773	6.2
31. First Peoples Bank of Washington County, Johnson City, Tennessee	July 29, 1983	20,334	176.5
32. Metro Bank, Midland, Texas	July 29, 1983	2,500	28.8
33. Oregon Mutual Savings Bank, Portland, Oregon	August 5, 1983	47,745	251.3
34. The First National Bank of Danvers, Danvers, Illinois	August 5, 1983	2,560	10.8
35. First Commerce Bank of Hawkins County, Rogersville, Tennessee	August 12, 1983	8,821	43.7
36. United Southern Bank of Clarksville, Clarksville, Tennessee	August 26, 1983	3,666	10.4
37. The Douglass State Bank, Kansas City, Kansas	September 2, 1983	7,200	26.5
38. Warren County Bank, McMinnville, Tennessee	September 16, 1983	4,019	18.8
39. Dominion Bank of Denver, Denver, Colorado	September 30, 1983	2,653	11.9
40. National Bank of Odessa, Odessa, Texas	September 30, 1983	19,527	76.2
41. Auburn Savings Bank, Auburn, New York	October 1, 1983	38,014	131.4
42. The Deschutes Bank, Redmond, Oregon	October 7, 1983	2,800	9.2
43. The First National Bank of Midland, Midland, Texas	October 14, 1983	76,400	574.2
44. First National Bank of Browning, Browning, Montana	November 10, 1983	4,000	11.6
45. Atkinson Trust and Savings Bank, Atkinson, Illinois	November 25, 1983	3,929	18.9
46. Union Trust Company, San Juan, Puerto Rico	December 9, 1983	1,267	23.3
47. Bank of Hackleburg, Hackleburg, Alabama	December 13, 1983	2,005	6.8
48. The Bank of Red Oak, Red Oak, Oklahoma	December 16, 1983	3,514	10.4

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In the 16 months prior to the failure, the bank experienced substantial losses on energy-related loans. Widespread publicity about the bank's losses eroded public confidence and the bank's deposit and funding sources withdrew. As a result, First National became unable to meet its obligations as they matured.

Two days prior to the closing of First National, the FDIC stabilized the situation by purchasing a $100 million subordinated note from the bank under FDIC's authority to make loans or contributions to an insured bank in danger of closing to allow time for the bank to be merged with a sound institution.

The deposit assumption of First National was the second time the FDIC used a provision of the Garn-St Germain Act to solicit bids across state lines.

Deposit Transfers

In 1983, the FDIC first used the procedure of making the insured deposits in a failed bank available to their owners by transferring their accounts to a healthy institution instead of directly paying depositors up to the insured limit. The Corporation used this approach in two failures. On July 8, the insured deposits of Union National Bank of Chicago were transferred to Seaway National Bank. On November 22, the FDIC transferred the insured deposits of the Atkinson Trust & Savings Bank, Atkinson, Illinois, to Bank of Atkinson, N. A., a newly-chartered subsidiary of Farmers National Bancorp Inc., Geneseo, Illinois.

In both transfers, all insured deposits were immediately made available to their owners, checks drawn on those accounts were honored and customers who had interest-bearing accounts in the closed banks continued to earn interest according to the terms of their deposit contracts. The Atkinson transfer had another unusual feature. The acquiring bank paid a purchase premium of $1.5 million for the right to serve as the paying agent.

Payment of insured deposits through the transfer of accounts to another insured bank minimized disruption to the closed banks' customers and to the affected communities. The procedure also reduced the FDIC's costs in handling the failures.

MUTUAL SAVINGS BANKS

The magnitude of the mutual savings bank problem was greatly diminished in 1983, due to the improving economy and the decline in interest rates from 1982's record levels. Only three insured savings banks failed in 1983, at an estimated cost to the FDIC of about $47 million. By comparison, eight savings bank failures in 1982 resulted in an estimated cost of $1.01 billion.

The FDIC assisted the merger in New York City of Dry Dock Savings Bank into The Dollar Savings Bank under terms of the "voluntary merger plan" announced in 1982. The estimated present value cost of the transaction to the FDIC, over a 10-year period, is $32 million. The resulting institution has combined assets exceeding $5 billion.

In Oregon, a change in state law made possible the conversion of Oregon Mutual Savings Bank into a stock-form state chartered bank and its subsequent acquisition by Moore Financial Group, Inc., Boise, Idaho. FDIC assistance consisted of a cash payment of $11.8 million.

In the third assisted merger, Auburn Savings Bank, Auburn, New York, was absorbed by Syracuse Savings Bank. The cost of the FDIC assistance was $2.9 million.

The FDIC's net worth certificate program, available to depository institutions that have suffered earnings and capital losses primarily as a result of mortgage lending activities, has been useful in assisting mutual savings bank. The Garn-St Germain Depository Institutions Act of 1982 authorized the FDIC to assist any qualified institution by making periodic purchases of capital instruments in the form of net worth certificates.

At the time that net worth certificates are purchased, the FDIC issues its promissory note in exchange for the institution's net worth certificate. For purposes of regulatory reporting, the FDIC's note is reflected as an "other asset" of the institution and its liability under the net worth certificate is reflected as a segregation of capital. At year end 1983, 23 depository institutions had net worth certificates outstanding totaling $376.8 million. This program will expire October 15, 1985, unless renewed by Congress.

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In the auction ring, handler Kenneth Murry shows Hop Skip and Jump, a brown mare that became FDIC property as a result of the failure of Penn Square Bank. Eighty race horses included in the receivership assets of Penn Square were offered for sale at the February 1983 auction.

LIQUIDATION ACTIVITIES

With 48 bank failures in 1983, the Division of Liquidation acquired an unprecedented number of assets for liquidation, bringing its total workload to 65,000 assets with a book value of $4.3 billion in 170 liquidations.

The 48 failures included several large and complex liquidations, such as those stemming from the closings of First National Bank of Midland and twelve banks in Tennessee, to which the FDIC committed hundreds of employees.

To handle its increased workload, the Division instituted new procedures and expanded its staff. The consolidation of some of its local field offices and the establishment in 1983 of five Area Liquidation Offices with substantial delegated authority have increased the efficiency of the Division. The number of new liquidation personnel more than doubled in the last year, and the FDIC's liquidation support staffs in the legal and accounting areas have been increased as well.

The new area office framework represents a significant restructuring of the Division's management approach. Prior to 1983, individual bank liquidations were conducted at each site by the liquidators-in-charge, with minimal supervision from Washington. With the advent of the area office concept, field liquidations now are supervised by the staffs of the area offices who are closer to the scene and more attuned to regional economic conditions than the headquarters staff. In addition, a substantial number of older and smaller liquidations were consolidated into the area offices to allow greater managerial control of collection activities and to realize the economies of scale that result from a larger operation.

Another step was the creation of several sub-area offices to deal with heavy concentrations of liquidations in Tennessee and Southern California. The Division also revised its Washington management structure in 1983 by creating three Associate Director positions to manage operations, credit and administration. Finally, individuals with strong backgrounds in other areas of FDIC operations were brought into the Division in key positions, resulting in a cross fertilization of experience, ideas and skills.

These changes have enabled the Division to gain greater and more effective control over a substantially enlarged workload and have facilitated the Division's policy of accelerating its collection activities through the adoption of new and innovative liquidation techniques.

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Penn Square Bank, N.A.

A major continuing liquidation involves the Penn Square Bank, N. A., of Oklahoma City, which failed July 5, 1982, resulting in the largest deposit payoff in FDIC history. Of the Bank's $465 million in deposits, only about $200 million were insured and immediately available to their owners. The FDIC established a Deposit Insurance National Bank (DINB) for the purpose of paying insured deposits.

The FDIC determined in June 1983 that depositors in Penn Square may recover only up to 65 percent of deposits that exceeded the insurance limit. This estimate is subject to revision depending on future collections from the liquidation of Penn Square assets and the outcome of a large number of legal actions.

As of the end of 1983, the FDIC had collected $500.4 million in principal and interest on loans, securities and other assets. Out of the total, $235.1 million was paid to the holders of loan participations sold by Penn Square, $5.7 million repaid secured advances from the Federal Reserve to Penn Square, $16.9 million was paid to owners of pledged deposits and approximately $87.6 million was paid to uninsured depositors and other creditors holding Receiver's Certificates for proven claims. The FDIC invested excess collections in Treasury bills totalling approximately $133.6 million.

The remaining amount due on proven claims totaled about $347.3 million. The FDIC agreed to set aside about $442.1 million in reserve for those claims pending the outcome of related litigation. Remaining assets to be liquidated at the end of 1983 amounted to about $282.4 million, exclusive of the $133.6 million invested in Treasury bills.

On August 18, the FDIC signed an agreement with Charter National Bank, N. A., a newly-chartered bank, providing that Charter National purchase the remaining $458,400 in deposits from the DINB and operate from Penn Square's former motor bank. Subsequently, $138,200 owned by depositors who could not be contacted was returned to the FDIC.

Payments to Depositors

Of the 668 banks that failed since the FDIC's inception in 1934, 340 were deposit assumption cases and 328 were deposit payoffs. All the accounts in the deposit assumption cases, with insured and noninsured deposits aggregating $24.2 billion, were fully protected.

In the deposit payoffs, 85.5 percent of the $1.1 billion in deposits have been paid or made available, and full recovery has been paid or made available to 99.1 percent of the depositors. In comparison, through the end of 1982, 79.6 percent of the deposits had been paid or made available, with full recovery received by or made available to 98.4 percent of the depositors. The increase in the historical recovery rate is due to the payment in 1983 of a 20 percent dividend to uninsured depositors of the Penn Square Bank and an overall 96 percent recovery rate for depositors in payoff cases closed in 1983.

There were 6.8 million accounts in the deposit assumption cases and .7 million in the payoff cases closed since January 1, 1934, with deposits aggregating more than $25 billion.

Total disbursements by the FDIC since January 1, 1934, amounted to $11.5 billion. Of that amount, the FDIC recovered $8.8 billion and lost $2.7 billion.

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INCOME AND EXPENSES

Revenues and the deposit insurance fund continued to increase during 1983 although the high bank failure rate created large expenses for the FDIC. The fund attained a new year-end high of $15.4 billion, an increase of $1.6 billion or 12.0 percent over 1982. Gross revenues for the year amounted to $2.6 billion, including $1.4 billion from investments in U.S. Treasury obligations and $1.2 billion from assessments on insured banks, interest on notes receivable and other sources.

The average maturity of the Corporation's investment portfolio during 1983 remained at two years and nine months as it had been during 1982, although 35 percent of the portfolio had maturities of under two years. The par value of the portfolio increased from $13.2 billion on December 31, 1982, to $13.8 billion at year-end 1983. Its market value grew from $13.3 billion to $13.7 billion during the same period.

The FDIC's total expenses and losses in closed banks and merger activities during 1983 was $834 million. Its administrative expenses were $136 million, an increase of 4.4 percent over 1982, following an increase of only 2.2% the previous year. The total gross expenses and losses for the year was $970 million. This was the fifth consecutive year in which the FDIC held its expenditure rate increase below both the rate of inflation and the increased cost of the federal government.

The FDIC gives insured banks a credit against their next year's assessments for insurance coverage, depending on the FDIC's losses and expenses for the year. The losses and expenses sustained by FDIC in 1983 resulted in an assessment credit of $164 million, compared to $96 million in 1982. The 1983 credit represents an effective assessment rate to banks of 1/14 of one percent of assessable deposits, compared to 1/13 of one percent in 1982. The 1983 assessment credit represents 13.54 percent of total assessments compared to 8.68 percent in 1982.

(The FDIC's complete 1983 financial statements with footnotes begin on page 18. The U.S. Comptroller General's audit opinion of the FDIC's financial statements is on page 29.)

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Personnel

The FDIC ended 1983 with 3,846 employees, or 342 more employees than at the end of 1982. Most of this gain involved temporary employment in the Liquidation Division hired to cope with the increased number of bank closings during 1983. About 53 percent of the FDIC's employees are assigned to the Division of Bank Supervision. About 92 percent of DBS employees are field examiners.

The 1983 turnover rate for field examiners was 6.0 percent, compared to 7.0 percent for 1982. Of the 97 examiners who resigned during the year, 28 found employment with banks. For all employees, exclusive of temporary field personnel, college students in the FDIC's cooperative work-study program and temporary summer personnel, the turnover rate was 7.0 percent, compared to 7.8 percent in the previous year. Position vacancy announcements issued in 1983 numbered 331.

Number of Officials and Employees of the Federal Deposit Insurance Corporation December 31, 1982 and 1983

	TOTAL		WASHINGTON OFFICE		REGIONAL & FIELD OFFICES	
	1983	1982	1983	1982	1983	1982
TOTAL	3846	3504	968	933	2878	2571
Executive Offices	46	47	46	47	0	0
Legal Division	103	105	103	105	0	0
Division of Research and Strategic Planning	29	28	29	28	0	0
Division of Liquidation*	1153	778	170	185	983	593
Division of Bank Supervision	2053	2129	158	151	1895	1978
Division of Accounting and Corporate Services	379	347	379	347	0	0
Office of Corporate Audits	38	29	38	29	0	0
Office of Equal Opportunity	6	6	6	6	0	0
Office of Personnel Management	39	35	39	35	0	0

*Division of Liquidation totals include temporary employees, most of whom were employed by failed banks, assigned to field liquidations.

John T. Washington, a Supervisory Computer Operator in the Division of Accounting and Corporate Services, checks one of the many FDIC computer programs.

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Computer Operator Vaughn Johnson loads a tape for Coquesse Matthews, also a Computer Operator (background) and Senior Computer Operator Gladys Coates to review. They work with the Amdahl mainframe computer in the FDIC headquarters building.

Instructor Jeffrey Perry works with students in the School for Assistant Examiners at the FDIC's Training Center in Rosslyn, Virginia.

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Comparative Statement of Financial Position (In thousands)

Assets	December 31, 1983	December 31, 1982
Cash	$ 88,785	$ 1,335
Investment in U.S. Treasury obligations (Note 1)	13,992,059	13,252,365
Accrued interest receivable (Note 2)	370,642	339,281
Other receivables and prepaid items (Note 3)	22,438	9,793
Notes receivable from insured banks (Note 4)	423,641	705,262
Assets acquired from failures of insured banks:		
Depositors' claims paid	413,748	320,216
Depositors' claims unpaid	7,048	9,547
Loans and assets purchased	2,494,059	616,964
Assets purchased outright	386,917	401,563
Less: Allowance for losses (Note 5)	1,290,820	631,632
Total	2,010,952	716,658
Land	4,014	4,014
Office buildings, less accumulated depreciation on buildings	32,955	30,139
Total Assets	$16,945,486	$15,058,847

The accompanying summary of significant accounting policies and notes to financial statements are an integral part of these statements.

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Liabilities and the Deposit Insurance Fund

	December 31, 1983	December 31, 1982
Accounts payable and accrued liabilities	$ 36,960	$ 56,762
Collections held for others	5,465	2,453
Accrued annual leave of employees	7,143	6,935
Accrued interest payable (Note 6)	18,789	19,214
Due insured banks:		
Net assessment income credits:		
Available July 1, 1983 (Note 7)	0	96,181
Available July 1, 1984 (Note 7)	164,039	0
Total	**164,039**	**96,181**
F Street property notes (Note 8)	11,224	12,282
Liabilities incurred from failures of insured banks:		
FRB & FHLB indebtedness (Note 9)	811,666	293,333
Notes payable (Note 9)	242,293	511,601
Income maintenance agreements (Note 10)	192,756	276,595
Depositors' claims unpaid	7,048	9,547
Total	**1,253,763**	**1,091,076**
Estimated losses from Corporation litigation (Note 11)	18,923	3,000
Total Liabilities	1,516,306	1,287,903
Deposit Insurance Fund	15,429,180	13,770,944
Total Liabilities and the Deposit Insurance Fund	$16,945,486	$15,058,847

The accompanying summary of significant accounting policies and notes to financial statements are an integral part of these statements.

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Comparative Statement of Income and the Deposit Insurance Fund (In thousands)

	For the twelve months ended	
	December 31, 1983	December 31, 1982
Income:		
Gross assessments earned	$ 1,215,817	$ 1,109,288
Less: Provision for assessment credits	164,903	96,553
Total	**1,050,914**	**1,012,735**
Interest on U.S. Treasury obligations	1,344,364	1,116,216
Amortization of premiums and discounts	59,961	253,750
Total	**1,404,325**	**1,369,966**
Interest earned on notes receivable	**65,065**	**79,029**
Interest received on assets in liquidation	**83,762**	**53,888**
Other income	**24,049**	**8,869**
Total Income	**2,628,115**	**2,524,487**
Expenses and Losses:		
Administrative operating expenses	135,660	129,927
Merger assistance losses and expenses	127,486	680,980
Provision for insurance losses	675,119	126,436
Interest expense on FRB indebtedness	25,211	54,178
Nonrecoverable insurance expenses	6,403	8,162
Total Expenses and Losses	**969,879**	**999,683**
Net Income	**1,658,236**	**1,524,804**
Deposit Insurance Fund—January 1	**13,770,944**	**12,246,140**
Deposit Insurance Fund—December 31	**$15,429,180**	**$13,770,944**

The accompanying summary of significant accounting policies and notes to financial statements are an integral part of these statements.

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Comparative Statement of Changes in Financial Position (In thousands)

	For the twelve months ended	
	December 31, 1983	December 31, 1982
Financial Resources Were Provided From:		
Operations:		
Net income	$1,658,236	$1,524,804
Add (deduct) items not involving cash in the period:		
Amortization on U.S. Treasury obligations	(59,961)	(253,750)
Depreciation	897	493
Income maintenance agreement adjustments	1,418	(436,855)
Amortization from merger assistance agreements	51,315	93,751
Allowance for loss adjustments	675,119	126,436
Resources provided from operations	**2,327,024**	**1,054,879**
Other resources provided from:		
Maturity on U.S. Treasury obligations	4,346,245	3,992,098
Collections on notes receivable	375,619	20,669
Collections on assets acquired from failures of insured banks	611,849	458,552
Increase (decrease) in assessment credits due insured banks	67,858	(32,691)
Liabilities incurred from failures of insured banks	698,565	1,016,330
Total financial resources provided	**$8,427,160**	**$6,509,837**
Financial Resources Were Applied To:		
Purchase of U.S. Treasury obligations	$5,025,978	$4,985,721
Acquisition of notes receivable	218,998	298,750
Assets acquired from failures of insured banks	2,442,851	742,695
Purchase of San Francisco condominium offices	3,713	11,714
Payments on notes payable	432,357	170,880
Payments on income maintenance agreements	154,800	239,932
Net change in other assets and liabilities	61,013	59,192
Increase in cash	87,450	953
Total financial resources applied	**$8,427,160**	**$6,509,837**

The accompanying summary of significant accounting policies and notes to financial statements are an integral part of these statements.

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Summary of Significant Accounting Policies

General

These statements do not include accountability for assets and liabilities of closed insured banks for which the Corporation acts as receiver or liquidating agent. Periodic and final accountability reports of its activities as receiver or liquidating agent are furnished by the Corporation to courts, supervisory authorities, and others as required.

U.S. Treasury Obligations

Securities are shown at amortized cost which is the purchase price of the securities less the amortized premium or plus the accreted discount. Such amortizations and accretions are computed on a daily straight-line basis from the date of acquisition to the date of maturity.

Deposit Insurance Assessments

The Corporation assesses insured banks at the rate of 1/12 of one percent per year on the bank's average deposit liability less certain exclusions and deductions. Assessments are due in advance for each six-month period and credited to income each month. The Depository Institutions Deregulation and Monetary Control Act of 1980 changed the percentage of net assessment income to be transferred to insured banks each July 1 of the following calendar year from 66 2/3 percent to 60 percent and authorized the FDIC Board of Directors to make adjustments to this percentage within certain limits in order to maintain the Deposit Insurance Fund between 1.25 and 1.40 percent of estimated insured deposits. If this ratio falls below 1.10 percent or above 1.40 percent, the FDIC is mandated to make further reductions, up to 50 percent, or increases to the percentage distribution of net assessment income.

Allowance for Losses

The Corporation establishes an estimated allowance for loss at the time a bank fails. These allowances are reviewed every six months and adjusted as required, based on financial developments which occur during each six-month period. The Corporation does not state its estimated contingent liability for unknown future bank closings because such estimates are impossible to make. The Corporation's contingent liability for eventual net losses depends upon factors which cannot be assessed until or after a bank has actually failed. The Corporation's entire Deposit Insurance Fund and borrowing authority are available, however, for such contingencies.

Depreciation

The Washington Office Buildings are depreciated on a straight-line basis over a 50-year estimated life. The San Francisco Condominium Offices are depreciated on a straight-line basis over a 35-year estimated life. The cost of furniture, fixtures, and equipment is expensed at time of acquisition.

Income Maintenance Agreements

The Corporation records its liability under an income maintenance agreement at the present value of each estimated cash outlay at the time the agreement is accepted. Estimated cash outlays are anticipated future payments the Corporation will provide to offset the difference between the annualized cost of funds and the annualized return on the declining volume of earning assets acquired in a merger transaction, plus an amount to cover overhead costs. The charge is recorded to insurance loss. The present value of the liability is then accreted daily and recorded monthly over the term of the agreement. Any differences between the estimated and actual cash outlays are recorded as payment adjustments. The present value of remaining estimated cash outlays are also reviewed and adjusted each year when interest rate changes occurring in the marketplace appear material or permanent in nature. The originally recorded loss, plus or minus any payment and present value adjustments, will then be prorated between insured banks and the Deposit Insurance Fund as provided in Section 7(d) of the Federal Deposit Insurance Act.

Reclassifications

Reclassifications have been made in the 1982 Financial Statements to conform to the presentation used in 1983.

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Notes to Financial Statements— December 31, 1983 and 1982

1. U.S. Treasury Obligations

All cash received by the Corporation which is not used to defray operating expenses or for outlays related to assistance to banks and liquidation activities, is invested in U.S. Treasury securities. As of December 31, 1983 and 1982, the Corporation's investment portfolio consisted of the following:

December 31, 1983
(In thousands)

Maturity	Description	Par Value	Book Value	Market Value	Cost
1 Day	Special Treasury Certificates	$ 484,331	$ 484,331	$ 484,331	$ 484,331
Less than 1 Year	U.S.T. Bills	450,000	414,189	414,220	412,104
	U.S.T. Notes and Bonds	1,469,500	1,472,021	1,470,695	1,507,118
1–5 Years	U.S.T. Notes and Bonds	10,526,626	10,767,164	10,596,598	10,835,408
5–10 Years	U.S.T. Notes and Bonds	855,546	854,354	779,366	852,837
Total Investment		**$13,786,003**	**$13,992,059**	**$13,745,210**	**$14,091,798**

December 31, 1982
(In thousands)

Maturity	Description	Par Value	Book Value	Market Value	Cost
1 Day	Special Treasury Certificates	$ 649,376	$ 649,376	$ 649,376	$ 649,376
Less than 1 Year	U.S.T. Bills	1,975,000	1,876,300	1,895,998	1,765,458
	U.S.T. Notes and Bonds	1,606,200	1,607,446	1,616,458	1,613,593
1–5 Years	U.S.T. Notes and Bonds	7,106,126	7,232,759	7,363,982	7,274,441
5–10 Years	U.S.T. Notes and Bonds	1,820,000	1,812,924	1,732,709	1,807,740
Over 10 Years	U.S.T. Bonds	75,546	73,560	62,255	71,806
Total Investment		**$13,232,248**	**$13,252,365**	**$13,320,778**	**$13,182,414**

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2. Accrued Interest Receivable

The Corporation's outstanding accrued interest receivable balances as of December 31, 1983 and 1982 are as follows:

	1983	1982
Investment in U.S.T. Obligations:		
1-Day Special Treasury Certificates	$ 128,000	$ 183,000
U.S.T. Notes and Bonds	361,684,000	306,933,000
Notes Receivable from Insured Banks:		
To Assist Operating Banks	0	12,001,000
To Facilitate Merger Agreements	5,935,000	18,790,000
To Facilitate Deposit Assumptions	2,895,000	1,374,000
Total	**$370,642,000**	**$339,281,000**

3. Other Receivables and Prepaid Items

The Corporation's other receivables and prepaid items at December 31, 1983 and 1982 are:

	1983	1982
Other Receivables	$21,931,000	$9,693,000
Prepaid Items	507,000	100,000
Total	**$22,438,000**	**$9,793,000**

4. Notes Receivable from Insured Banks

The Corporation's outstanding principal balances on notes receivable from insured banks at December 31, 1983 and 1982 are:

	1983	1982
To Assist Operating Banks:		
Bank of the Commonwealth	$ 27,000,000	$ 30,000,000
First Pennsylvania Bank, N.A.	0	325,000,000
To Facilitate Merger Agreements:		
First Interstate Bank of Washington, N.A.	0	30,000,000
Philadelphia Saving Fund Society	216,250,000	216,250,000
Abilene National Bank	50,000,000	50,000,000
Syracuse Savings Bank	9,398,000	2,500,000
To Facilitate Deposit Assumptions:		
Bank Leumi Trust Company of New York	3,750,000	5,000,000
European-American Bancorp.	25,000,000	40,000,000
Drovers Bank of Chicago	2,500,000	3,000,000
Town-Country National Bank	143,000	179,000
First Tennessee National Corporation	36,000,000	0
RepublicBank Corporation	51,100,000	0
First Commerce Corporation	2,500,000	3,333,000
Total	**$423,641,000**	**$705,262,000**

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5. Allowance for Losses – Assets in Liquidation

An analysis of the changes in the estimated allowance for losses on assets in liquidation are described below by account groups for the years ended December 31, 1983 and 1982:

	1983	1982
Depositors' claims paid:		
Balance, beginning of period	$ 58,352,000	$ 11,285,000
Add (Subtract):		
Provision charged to expense	18,334,000	48,009,000
Net adjustment to prior years	99,046,000	(592,000)
Write-off at termination	0	(350,000)
Balance, end of period	175,732,000	58,352,000
Loans and assets purchased:		
Balance, beginning of period	213,536,000	154,114,000
Add (Subtract):		
Provision charged to expense	518,404,000	65,185,000
Net adjustment to prior years	(4,590,000)	(5,106,000)
Write-off at termination	0	(657,000)
Balance, end of period	727,350,000	213,536,000
Assets purchased outright:		
Balance, beginning of period	359,744,000	344,846,000
Add (Subtract):		
Provision charged to expense	0	21,464,000
Net adjustment to prior years	27,994,000	(6,566,000)
Write-off at termination	0	0
Balance, end of period	387,738,000	359,744,000
Total	**$1,290,820,000**	**$ 631,632,000**

6. Accrued Interest Payable

The Corporation's outstanding accrued interest payable balances as of December 31, 1983 and 1982 are as follows:

	1983	1982
F Street Property Notes	$ 320,000	$ 375,000
Federal Reserve Bank Notes	15,830,000	3,890,000
Federal Home Loan Bank Notes	0	82,000
Franklin Buildings, Inc. Notes	72,000	88,000
Merger Assistance Notes	2,567,000	14,779,000
Total	**$18,789,000**	**$19,214,000**

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7. Assessment Credits Due Insured Banks

Contingent upon a legislatively specified ratio of the Corporation's Deposit Insurance Fund to estimated insured bank deposits, the Corporation credits a legislatively authorized percentage (currently 60 percent) of its net assessment income to insured banks. This credit is distributed, pro-rata, to each insured bank as a reduction of the following year's assessment. Net assessment income is determined by gross assessments less administrative operating expenses and expenses and losses related to insurance operations.

The Garn-St Germain Depository Institutions Act of 1982, amended Section 7(d)(1) of the Federal Deposit Insurance Act and authorized the Corporation to include certain lending costs in the computation of the net assessment income. The lending costs are the amounts by which the amount of interest earned on each loan made by the Corporation under Section 13 of the Federal Deposit Insurance Act after January 1, 1982, is less than the amount of interest the Corporation would have earned for the calendar year if interest had been paid on the loans at a rate equal to the average current value of funds to the United States Treasury for the calendar year.

The computation and distribution of net assessment income credits for calendar year 1983 and 1982 are as follows:

1983 Net Assessment Income Credits Due Insured Banks – July 1, 1984

Computation:		
Gross Assessment Income – C.Y. 1983		$1,211,440,000
Less: Administrative Operating Expenses	$135,660,000	
Merger Assistance Losses and Expenses less Amortization and Accretion	90,123,000	
Provision for Insurance Losses	675,119,000	
Nonrecoverable Insurance Expenses	31,426,000	
Lending Costs	8,640,000	940,968,000
Net Assessment Income		$ 270,472,000
Distribution:		
40% to the Deposit Insurance Fund	$108,189,000	
60% to Insured Banks	162,283,000	$ 270,472,000
Assessment Credit Due Insured Banks:		
Assessment Credit – C.Y. 1983		$ 162,283,000
Assessment Credits – Prior Years		1,756,000
Total Credits Due, July 1, 1984		$ 164,039,000

Effective Rate of Assessment for C.Y. 1983: 1/14 of 1% of Total Assessable Deposits
Percent of Total Credits Due Insured Banks: 13.54086% of Gross Assessments

1982 Net Assessment Income Credits Due Insured Banks – July 1, 1983

Computation:		
Gross Assessment Income – C.Y. 1982		$1,108,254,000
Less: Administrative Operating Expenses	$129,927,000	
Merger Assistance Losses and Expenses less Amortization and Accretion	628,562,000	
Provision for Insurance Losses	126,436,000	
Nonrecoverable Insurance Expenses	61,881,000	
Lending Costs	1,560,000	948,366,000
Net Assessment Income		$ 159,888,000
Distribution:		
40% to the Deposit Insurance Fund	$ 63,955,000	
60% to Insured Banks	95,933,000	$ 159,888,000
Assessment Credit Due Insured Banks:		
Assessment Credit – C.Y. 1982		$ 95,933,000
Assessment Credits – Prior Years		248,000
Total Credits Due, July 1, 1983		$ 96,181,000

Effective Rate of Assessment for C.Y. 1982: 1/13 of 1% of Total Assessable Deposits
Percent of Total Credits Due Insured Banks: 8.67859% of Gross Assessments

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8. F Street Property Notes

The Corporation's outstanding principal balance on F Street property notes as of December 31, 1983 and 1982 are as follows:

	1983	1982
New York State Common Retirement Fund	$ 6,224,000	$ 6,282,000
1776 F Street Associates "a general partnership in dissolution"	5,000,000	6,000,000
Total	**$11,224,000**	**$12,282,000**

9. Liabilities Incurred from Failures of Insured Banks

The Corporation's outstanding principal balances on liabilities incurred from failures of insured banks as of December 31, 1983 and 1982 are as follows:

	1983	1982
Federal Reserve Bank of New York	$ 142,666,000	$285,333,000
Federal Reserve Bank of Dallas	664,000,000	0
Federal Home Loan Bank of New York	5,000,000	8,000,000
Franklin Buildings, Inc.	5,038,000	6,156,000
First Interstate Bank of Washington, N.A.	21,023,000	22,364,000
Hudson City Savings Bank	24,000,000	28,000,000
Goldome FSB	192,232,000	204,956,000
Philadelphia Saving Fund Society	0	220,125,000
American Savings Bank	0	30,000,000
Total	**$1,053,959,000**	**$804,934,000**

10. Income Maintenance Agreements

The income maintenance agreements, including amounts to cover overhead costs, are classified and presented on the financial statements at the present value of anticipated future payments. The Corporation's outstanding liability balances of anticipated future payments at present value with operating insured banks as of December 31, 1983 and 1982 are as follows:

	1983	1982
Metropolitan Savings Bank	$ 58,332,000	$ 73,358,000
Apple Bank for Savings	18,320,000	23,643,000
Marquette National Bank	(15,021,000)	3,078,000
First Interstate Bank of Washington, N.A.	2,721,000	2,974,000
Goldome FSB	67,277,000	128,023,000
Philadelphia Saving Fund Society	37,527,000	45,519,000
Dollar Dry Dock Savings Bank	20,724,000	0
Syracuse Savings Bank	2,876,000	0
Total	**$192,756,000**	**$276,595,000**

11. Estimated Losses From Corporation Litigation

Estimated losses from Corporation litigation during 1983 and 1982 amounted to $18,923,000 and $3,000,000, respectively. These amounts represent estimates for potential losses in 6 of 14 and 3 of 10 legal actions involving a total of approximately $49,562,000 and $44,835,000 of claims, counterclaims, and possible indemnity exposures against the FDIC in its corporate capacity as of December 31, 1983 and 1982, respectively.

12. Lease Commitments

Rent for office premises charged to expense was $6,829,000 (1983) and $5,695,000 (1982). Minimum rentals for each of the next five years and for subsequent years thereafter are as follows:

1984	1985	1986	1987	1988	1989/thereafter
$7,068,000	$5,485,000	$3,999,000	$3,711,000	$2,210,000	$1,511,000

Most office premise lease agreements provide for increase in basic rentals resulting from increased property taxes and maintenance expense.

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13. Retirement Plan

All permanent, full-time and part-time employees of the FDIC are covered by the contributory Civil Service Retirement Plan. The Corporation makes bi-weekly contributions to the plan equal to the employee's bi-weekly contributions. The retirement plan expenses incurred for calendar years 1983 and 1982 were $7,073,000 and $6,439,000 respectively.

14. Net Worth Certificate Program

The net worth certificate program was established at the FDIC by authorization of the Garn-St Germain Depository Institutions Act of 1982. Under this program, the Corporation would purchase a qualified institution's net worth certificate, and in a non-cash exchange, the Corporation would issue its non-negotiable promissory note of equal value. The total assistance outstanding to qualified institutions as of December 31, 1983 and 1982 is $376,866,000 and $174,529,000 respectively. The Corporation does not expect to incur any losses directly attributable to such assistance.

In 1982, the Corporation presented the net worth certificates as an asset and the related promissory notes as a liability on its Statement of Financial Position. As of December 31, 1983, the Corporation changed its method of presentation to reflect such transactions in a footnote disclosure as described above. The Corporation believes this treatment is preferable because it best reflects the true nature and substance of the program. This change had no effect on the Corporation's net income.

15. Subsequent Events

On May 17, 1984, the FDIC, the Federal Reserve Board, the Comptroller of the Currency, and a group of 28 commercial banks arranged an emergency assistance package totaling $7.5 billion. This assistance included a $5.5 billion unsecured line of credit from the commercial banks, and a $2 billion capital injection package from the FDIC and seven participating commercial banks. In addition, the Federal Reserve Board guaranteed to meet daily cash requirements, if any were needed, beyond the $7.5 billion commitment. At the present time, it is uncertain what FDIC assistance will ultimately result and what impact such assistance would have on the Deposit Insurance Fund.

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-114854

June 14, 1984

To the Board of Directors
Federal Deposit Insurance Corporation

We have examined the statements of financial position of the Federal Deposit Insurance Corporation as of December 31, 1983 and 1982, and the related statements of income and the deposit insurance fund and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As a result of the work performed during our examination of the financial statements, we have also issued separate reports, dated June 14, 1984, on compliance with laws and regulations, and internal accounting controls.

In an attempt to protect the safety and soundness of the banking system, FDIC arranged emergency assistance and took the unprecedented action of guaranteeing all deposits and debts of Continental Illinois National Bank & Trust Company of Chicago, Chicago, Illinois. (Reference is made to note 15 to the financial statements.)

In our opinion, the financial statements referred to above present fairly the financial position of the Federal Deposit Insurance Corporation as of December 31, 1983 and 1982, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which GAO concurs, in the method of accounting for assistance given to insured institutions under the net worth certificate program as described in note 14 to the financial statements.

Charles A. Bowsher
Comptroller General
of the United States

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LEGISLATION AND REGULATIONS

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LEGISLATION 1983

The following is a summary of public laws enacted in 1983 that are pertinent to the activities of the FDIC.

Net Worth Certificates

Public Law 98-29, approved May 16, 1983, amends the Federal Deposit Insurance Act to provide that the issuance of net worth certificates does not constitute default under existing subordinated debt obligations. The amendment took effect retroactively on October 15, 1982, the date of enactment of the Garn-St Germain Depository Institutions Act of 1982.

International Lending

Public Law 98-181, the Supplemental Appropriations Act of 1984, which is further known as the Domestic Housing and International Recovery and Financial Stability Act, approved November 30, 1983, contains two titles of importance to the FDIC:

-Title VII, an amendment to the Federal Deposit Insurance Act, permits any sitting member of the Board of Directors of the FDIC to remain in office until a successor has been confirmed by the Senate.

-Title IX, the International Lending Supervision Act of 1983, is designed to increase the supervision and regulation by the FDIC and the other federal bank regulatory agencies of international lending. It provides for appropriate public disclosure of information on individual banks' foreign borrowing and lending, and mandates accounting procedures that accurately reflect the results of international lending. The legislation directs the agencies to require commercial banks to set aside a new category of special reserves against foreign loans when borrowers demonstrate a protracted inability to make debt service payments. Each agency also is empowered to require banking institutions to maintain adequate capital by establishing minimum levels of capital. The Act also promotes international cooperation among bank regulatory authorities.

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RULES AND REGULATIONS 1983

Delegations of Authority (Part 303)

Effective March 9, 1983, the FDIC amended its regulations to specify that the Board of Review shall entertain any request for reconsideration of a request denied by the Board of Review under delegated authority.

Effective June 13, 1983, the Board of Directors delegated authority to the Director of the Division of Bank Supervision and FDIC's regional directors to approve, but not deny, routine merger transactions if certain criteria are met.

Effective July 20, 1983, the FDIC simplified procedures for most applicants and provided for public participation in the application process. The amendments pertain primarily to applications to establish and relocate branches and establish remote service facilities. In addition, internal delegations of authority for acting on other types of applications were amended.

Effective August 12, 1983, FDIC delegated authority to certain officers of FDIC's Division of Bank Supervision to execute and issue orders to cease and desist from engaging in unsafe, unsound or other prohibited activities under section 8(b) of the Federal Deposit Insurance Act when the bank or other respondent consents to the order and waives certain rights.

Forms, Instructions and Reports (Parts 304 and 349)

Effective July 20, 1983, in accordance with changes in Part 303, several obsolete or unnecessary forms were deleted from Part 304.

Effective December 31, 1983, the FDIC amended Parts 304 and 349 of its regulations, which required annual reports of ownership of insured state nonmember banks and insider indebtedness to the banks and their correspondent banks. The final rule requires an insured state nonmember bank to disclose, upon written request, the names of its executive officers and principal shareholders who have substantial borrowings from the bank or its correspondent banks. The amendment also restates the existing statutory requirement for insiders to report to the board of directors of their bank any indebtedness to the correspondent banks of that bank.

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Termination of Insured Status. (Part 307)

Effective May 31, 1983, the FDIC amended its regulation governing the notice procedures to be followed by a bank whose insured status has been terminated other than by an action of the FDIC Board of Directors. The amendment removes the requirement that a bank or institution that has assumed the liabilities of an insured bank give notice of the assumption to the depositors whose liabilities have been assumed.

Rules of Practice and Procedures (Part 308)

Effective March 7, 1983, the FDIC amended its regulations to incorporate provisions of the Garn-St Germain Depository Institutions Act of 1982 that give FDIC authority to compromise, modify or remit certain civil money penalties and provide for removal of a management official for any violation of the Depository Institution Management Interlocks Act.

Disclosure of Information (Part 309)

The FDIC removed, effective May 31, 1983, restrictions placed on the disclosure of financial records and information to federal financial supervisory agencies. The Garn-St Germain Depository Institutions Act of 1982 amended the Right to Financial Privacy Act of 1978 to clarify that the exchange of records and information regarding financial institutions is permitted among the federal supervisory agencies.

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Interest on Deposits (Part 329)

Effective January 3, 1983, the FDIC eliminated the requirement that retail repurchase agreements be issued for 89 days or less. The current regulatory environment favoring removal of interest rate controls rendered this restriction obsolete.

Effective January 11, 1983, the FDIC amended sections 329.1 and 329.103 of its regulations to allow public units that are not operated primarily for religious, philanthropic, charitable, fraternal, educational or similar purposes to maintain NOW accounts.

Effective August 1, 1983, the FDIC adopted two amendments to encourage the conversions of mutual savings banks to a capital stock form of ownership. The first amendment expands the definition of mutual savings bank to include state-chartered stock savings banks, thereby permitting those institutions to pay the thrift differential interest rate on applicable deposits. The second amendment permits FDIC-insured, state-chartered savings bank to waive the otherwise mandatory premature withdrawal penalty when depositors withdraw time deposits to purchase stock upon the bank's conversion to a stock savings bank.

Section 329.0 was amended, effective September 15, 1983, to clarify that FDIC's interest rate regulations shall apply to certain extraterritorial deposits which may technically be situated outside of the U.S. but are automatically linked to, or are an integrated part of, a second deposit account maintained and payable within the U.S. In addition, effective the same date, technical amendments were made to conform Part 329 to the International Banking Act of 1978.

On July 22, 1983, FDIC published an amendment to Part 329 (retroactively effective December 14, 1982) redefining savings deposits to include Money Market Deposit Accounts.

Deposit Insurance (Part 330)

On November 1, 1983, the FDIC and the Federal Home Loan Bank Board jointly published an Advance Notice of Proposed Rulemaking in the *Federal Register* soliciting comments on certain deposit-placement activities in the depository institutions industry. The focus of the Advance Notice was on how the agencies should deal with the issues raised by the increasing dollar amount of "insured" brokered deposits in banks and savings associations.

Effective December 16, 1983, the FDIC amended Part 330 of its regulations by adding a new section that defined the amount of an insured deposit to include accrued or anticipated interest or earnings on deposits as part of the deposits for insurance purposes.

Securities of Nonmember Insured Banks (Part 335)

On December 5, 1983, FDIC amended Part 335 to conform to changes on comparable SEC regulations. Effective January 13, 1984, the amendment covers interim financial reporting, timely filing of statements, reporting effects of changing prices, accounting amendments, exhibit requirements, financial statements and technical amendments.

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Unsafe and Unsound Banking Practices (Part 337)

Effective September 21, 1983, FDIC amended Section 337.3(b) to eliminate the requirement for prior approval by a majority of a bank's entire board of directors of all extensions of credit to the bank's directors, executive officers, principal shareholders, and related interests of any such persons where those extensions of credit exceed in the aggregate $25,000. Substituted in its place was the requirement that a majority of the bank's entire board of directors approve in advance all extensions of credit to the above individuals and their related interests if the extensions of credit exceed in the aggregate five percent of the bank's capital and unimpaired surplus or $25,000, whichever is larger. In any event, however, any extension of credit exceeding in the aggregate $500,000 must receive prior approval despite the percentage of capital test.

On September 12, 1983, FDIC published an Advance Notice of Proposed Rulemaking soliciting comment on the need for rulemaking to govern the direct or indirect involvement of insured banks in the following activities: real estate; insurance; data processing for third parties; travel agency activities, and other financially related services. Comment also was solicited on whether limitations should be imposed on the ability of a company engaged in any of the above activities to own an insured bank.

Foreign Activities of Insured State Nonmember Banks (Part 347)

Effective July 20, 1983, in line with changes in Part 303, changes were made in the application process for establishing, moving, or closing foreign branches.

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Management Official Interlocks (Part 348)

Effective February 7, 1983, FDIC amended its regulations to permit persons who had terminated a grandfathered management official interlock because of a change in circumstances to resume their interlocking positions and serve out the remainder of the grandfather period (i.e., until November 10, 1988).

Effective November 30, 1983 the FDIC amended Part 348 to: (1) simplify the procedures for obtaining exceptions to the prohibitions and extensions of time to permit compliance; (2) ease the burden on depository institution holding companies by redefining the terms "office" and "total assets"; (3) broaden the exclusion for management officials whose functions relate exclusively to retail merchandising and manufacturing; (4) broaden the circumstances under which the exception for disruptive management loss is available; (5) clarify the circumstances that require termination of nongrandfathered interlocks, and (6) provide that interlocks between depository organizations and nondepository organizations that became diversified savings and loan holding companies, or their subsidiaries, need not be terminated until November 10, 1988, despite the occurrence of subsequent changes in circumstances.

Statement of Policy

Effective August 25, 1983, the FDIC issued a Statement of Policy as to whether financial assistance may be provided to prevent the closing of an insured bank other than a mutual savings bank under section 13(c) of the Federal Deposit Insurance Act, as amended (12 U.S.C. 1823(c)).

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ESTABLISHMENT OF THE FDIC

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ESTABLISHMENT OF THE FDIC

After 50 years, it is instructive to reexamine the forces and events that brought the FDIC into being. The following segment reviews developments in the period 1930–1933 leading up to the enactment of the Banking Act of 1933 on June 16 of that year. It is excerpted from a history entitled *FDIC: The First Fifty Years* prepared by the FDIC's Division of Research and Strategic Planning and scheduled for publication early in 1984.

On July 5, 1934, Mrs. Lydia Lobsiger received the first federal deposit insurance reimbursement, following the failure of the Fond Du Lac State Bank in East Peoria, Illinois.

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The adoption of nationwide deposit insurance in 1933 was made possible by the times, by the perseverance of the Chairman of the House Committee on Banking and Currency, and by the fact that the legislation attracted support from two groups which formerly had divergent aims and interests — those who were determined to end destruction of circulating medium due to bank failures and those who sought to preserve the existing banking siructure.[1]

— C. GOLEMBE

Banking Developments, 1930-1932

An average of more than 600 banks per year failed between 1921 and 1929, which was ten times the rate of failure during the preceding decade. The closings evoked relatively little concern, however, because they primarily involved small, rural banks, many of which were thought to be badly managed and weak. Although these failures caused the demise of the state insurance programs by early 1930, the prevailing view apparently was that the disappearance of these banks served to strengthen the banking system.

This ambivalence disappeared after a wave of bank failures during the last few months of 1930 triggered widespread attempts to convert deposits to cash. Many banks, seeking to accommodate cash demands or increase liquidity, contracted credit and, in some cases, liquidated assets. This reduced the quantity of cash available to the community which, in turn, placed additional cash demands on banks. Banks were forced to restrict credit and liquidate assets, further depressing asset prices and exacerbating liquidity problems. As more banks were unable to meet withdrawals and were closed, depositors became more sensitive to rumors. Confidence in the banking system began to erode and bank "runs" became more common.

During this period, the Federal Reserve did little to ease the liquidity problems of banks. The failure of the Federal Reserve to adopt an aggressive stance with respect to either open market purchases of securities or its discount window operations has been ascribed to several factors.[2] Most notably, it was generally believed that bank failures were an outgrowth of bad management and, therefore, were not subject to corrective action by the Federal Reserve. Concern within the System also was muted because most failed banks in 1930 were nonmembers for which Federal Reserve officials felt no responsibility.

In all, 1,350 banks suspended operations during 1930.[3] Bank failures during the previous decade had been confined primarily to agricultural areas; this no longer was the case in 1930. In fact, the Bank of United States, one of the nation's largest banks based in New York City, failed that year. The large jump in bank failures in 1930 was accompanied by an even greater increase in depositor losses.

As liquidity pressures subsequently eased during the early months of 1931, the number of bank failures declined sharply but the decrease proved to be short-lived. Bank failures again rose between March and June as the public resumed converting deposits into currency and banks sought to meet withdrawal demands. During the second-half of the year, another, more serious, liquidity scramble occurred.

Commercial Bank Suspensions, 1921-1933 ($ Thousands)

Year	Number of Suspensions (1)	Deposits (2)	Losses Borne by Depositors (3)	Losses to Depositors As a Percent of Deposits in All Commercial Banks (4)
1921	506	$ 172,806	$ 59,967	0.21%
1922	366	91,182	38,223	0.13
1923	646	149,601	62,142	0.19
1924	775	210,150	79,381	0.23
1925	617	166,937	60,799	0.16
1926	975	260,153	83,066	0.21
1927	669	199,332	60,681	0.15
1928	498	142,386	43,813	0.10
1929	659	230,643	76,659	0.18
1930	1,350	837,096	237,359	0.57
1931	2,293	1,690,232	390,476	1.01
1932	1,453	706,187	168,302	0.57
1933	4,000	3,596,708	540,396	2.15

Source: Columns (1), (2), (3), FDIC; Column (4), Friedman and Schwartz.

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FDIC's 50th anniversary commemorative exhibit includes a replica of a typical bank of 1934, the year that the FDIC began operations. The bank is furnished with authentic period artifacts.

Once again, the Federal Reserve failed to inject sufficient liquidity into the banking system. In 1931, policymakers were primarily preoccupied with international monetary matters. The abandonment by Great Britain of the gold standard in September 1931 aroused general fears that other countries might follow. These fears caused many foreigners with U.S. bank accounts to convert deposits to gold in the New York money market. To stem the ensuing gold outflow, the Reserve Bank of New York sharply increased its rediscount rate. While this action achieved the desired effect, no steps were taken to augment already depleted bank reserves through extensive open market purchases of securities. By ignoring domestic financial considerations, the Federal Reserve added to the banking industry's woes.

The effects of these liquidity crises were reflected in the failure statistics. About 2,300 banks suspended operations in 1931. The number of failures thus exceeded the average number for the 1921-1929 period by almost threefold. Losses borne by depositors in 1931 exceeded losses for the entire 1921-1929 period.

In an attempt to ease bank liquidity problems, a National Credit Corporation, organized by bankers in the private sector, was created in October 1931 to extend loans to weakened banks. However, the corporation failed within a matter of weeks. Business leaders appealed to the federal government for assistance. The Hoover Administration responded by recommending two measures. The first resulted in the creation, in January 1932, of a new major federal lending agency, the Reconstruction Finance Corporation (RFC). One of its primary functions was to make advances to banks. By the end of 1932, the RFC had

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authorized almost $900 million in loans to assist over 4,000 banks striving to remain open. The RFC might have assisted more banks had Congress not ordered it to disclose publicly the names of borrowers, beginning in August 1932. Appearance of a bank's name on the list was interpreted as a sign of weakness, and frequently led to runs on the bank. Consequently, many banks refrained from borrowing from the RFC.

The second measure supported by the Hoover Administration, the Glass-Steagall Act of February 27, 1932, broadened the circumstances under which member banks could borrow from the Federal Reserve System. It enabled a member bank to borrow from a Federal Reserve Bank upon paper other than that ordinarily eligible for rediscount or as collateral for loans. While the amounts subsequently borrowed were not large in the aggregate, the measure did aid individual banks.

The generally improved banking situation during the ensuing months was marked by a significant drop in both the number of bank failures and depositor losses. Other signs suggested that the industry's troubles were far from over. Waves of bank failures still occurred during the year. Another disquieting sign was the emergence of bank moratoria. Initially, they were declared by individual local communities. Later that year, Nevada proclaimed the first statewide moratorium when runs on individual banks threatened to involve banks throughout the state. Similar moratoria were to play a role in the events that culminated in the nationwide bank holiday of 1933.

The Banking Crisis of 1933

During the winter of 1932-1933, banking conditions deteriorated rapidly. In retrospect, it is not possible to point to any single factor that precipitated the calamitous events of this period. The general uncertainty with respect to monetary and banking conditions undoubtedly played the major role, although there were specific events that tended to increase liquidity pressures within the system. Banks, especially in states that had declared bank moratoria, accelerated withdrawals from correspondents in an attempt to strengthen their position. Currency holdings increased significantly, partially in anticipation of additional bank moratoria.

Additional liquidity pressures were brought about by concern relating to the future of the dollar. With the election of Franklin D. Roosevelt in November 1932, rumors circulated that the new administration would devalue, which led to an increase in speculative holdings of foreign currencies, gold and gold certificates. Unlike the period of international monetary instability of 1931, a significant amount of the conversions from Federal Reserve Notes and deposits to gold came from domestic sources. These demands placed considerable strain on New York City banks and, ultimately, on the Federal Reserve Bank of New York.

It was the suddenness of the withdrawal demands in selected parts of the country that started a panic of massive proportions. State after state declared bank holidays. The banking panic reached a peak during the first three days of March 1933. Visitors arriving in Washington to attend the presidential inauguration found notices in their hotel rooms that checks drawn on out-of-town banks would not be honored. By March 4, Inauguration Day, every state in the Union had declared a bank holiday.

As one of his first official acts, President Roosevelt proclaimed a nationwide bank holiday to commence on March 6 and last four days. Administration officials quickly began to draft legislation designed to

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legalize the holiday and resolve the banking crisis. Early in their deliberations they realized that the success of any proposed plan of action primarily would hinge on favorable public reaction. As noted by Raymond Moley, a key presidential adviser who attended many of the planning sessions:

> We knew how much of banking depended upon make-believe or, stated more conservatively, the vital part that public confidence had in assuring solvency.[4]

To secure public support, officials formulated a plan that relied on orthodox banking procedures.

Few members of Congress knew what was contained in the Administration's bill when they convened in extraordinary session at noon on March 9. In fact, Henry B. Steagall, Chairman of the Committee on Banking and Currency, purportedly had the only copy of the bill in the House. Waving the copy over his head, Steagall had entered the House chamber, shouting, "Here's the bill. Let's pass it."[5] After only 40 minutes of debate, during which time no amendments were permitted, the House passed the bill, known as the Emergency Banking Act. Several hours later, the Senate also approved the emergency legislation intact.

The Emergency Banking Act legalized the national bank holiday and set standards for the reopening of banks after the holiday. The Act expanded the RFC's powers as a means of dealing with the crisis then threatening the banking system. It authorized the RFC to invest in the preferred stock and capital notes of banks and to make secured loans to individual banks.

To insure an adequate supply of currency, the Act provided for the issuance of Federal Reserve bank notes, which were to be backed by U.S. government securities. The Federal Reserve Banks were empowered to advance the new currency to member banks without requiring much collateral. After the Act was signed into law, the Bureau of Engraving and Printing promptly went into 24-hour production to manufacture the currency.

The President subsequently issued a proclamation extending the holiday in order to allow time for officials to reopen the banks. In his first "fireside chat," delivered on March 12, President Roosevelt reviewed the events of the past several days and outlined the reopening schedule. Following proper certification, member banks in the twelve Federal Reserve Bank cities were to reopen on March 13. Member banks in some 250 other cities with recognized clearinghouses were to reopen on March 14. Thereafter, licensed member banks in all other localities were to reopen. The President indicated that the Secretary of the Treasury already had contacted the various state banking departments and requested them to follow the same schedule in reopening state nonmember banks. Before concluding his radio address, the President cautioned that he could not promise that every bank in the nation would be reopened. About 4,000 banks never reopened either because of the events of the previous two months or the bank holiday itself.

The task of implementing the Emergency Banking Act primarily was the responsibility of the Secretary of the Treasury. Under the Act, licenses for all member banks, both national and state, were to be issued by the Secretary. (State nonmember banks were to be licensed by the state banking departments.) The Treasury, however, demanded that each of the Federal Reserve Banks approve of the reopening of banks in their respective districts. The Federal Reserve Board balked at this demand, preferring instead that the Treasury Department shoulder the entire burden of reopening member banks. The controversy was resolved in the Treasury Department's favor. It was agreed that licenses would be issued by the Secretary of the Treasury upon the recommendation of the district Federal Reserve Bank, the chief national bank examiner and the Comptroller of the Currency. Several hundred banks soon reopened for business on the certification of the Treasury. As the reopenings proceeded, public confidence increased significantly and widespread hoarding ceased.

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Members of the public visit FDIC's 50th anniversary commemorative exhibit in Washington, D.C., and view documents and other memorabilia of the early years of federal deposit insurance operations.

Federal Deposit Insurance Legislation

After some semblance of order had returned to the financial system, efforts were renewed in Congress to enact deposit insurance legislation. Although a deposit insurance bill had been passed by the House in 1932, the Senate had adjourned without acting on the proposal. Insurance proponents hoped that legislative efforts would prove successful this time, since the banking crisis was still fresh in the public's mind. In their view, recent events had shown that a system of federal deposit insurance was necessary to achieve and maintain financial stability.

One of the chief proponents of federal deposit insurance in Congress was Representative Henry B. Steagall. He has been credited with proposing the legislation which created the Federal Deposit Insurance Corporation, leading the fight for its adoption in the House and helping to effect a compromise when chances for passage of the bill appeared doomed. Steagall's achievement was all the more remarkable in view of the formidable opposition confronting the proponents of deposit insurance. Opposition emanated from the Roosevelt Administration, segments of the banking industry and from some members of Congress.

Arguments offered against deposit insurance reflected both practical and philosophical considerations. Opponents asserted that deposit insurance would never work. They pointed to the defunct state-level deposit programs to substantiate their argument. Another widely held view was that deposit insurance would remove penalties for bad management. Critics also charged that deposit insurance would be too expensive and that it would represent an unwarranted intrusion by the federal government into the private sector.

Within the Roosevelt Administration, the Secretary of the Treasury was strongly opposed to the idea of federal deposit insurance. While historians have asserted that Secretary Woodin's views were partially responsible for President Roosevelt's opposition to deposit insurance, accounts differ regarding the nature and extent of Franklin Roosevelt's opposition. However, the Administration was not of one mind on the issue. Support was voiced by Vice President John Nance Garner and Jesse H. Jones of the RFC, among others. Prior to Roosevelt's

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inauguration, Garner, then-Speaker of the House, had appealed to the President-elect to support deposit insurance. When Roosevelt declined, stating that it would never work, Garner predicted that deposit insurance legislation eventually would be passed.[6]

Banking interests, particularly those representing the larger banks, generally viewed federal deposit insurance with distaste. The President of the American Bankers Association declared that deposit insurance was "unsound, unscientific and dangerous."[7] The banking industry's views had only limited impact since banking at that time was held in low esteem. The industry's already tarnished image was not helped by disclosures of unsavory security market dealings on the part of certain New York banks which came to light when deposit insurance was being considered in Congress.

More formidable opposition to deposit insurance came from several influential Congressmen. One of the most vociferous opponents was Carter Glass of Virginia, Chairman of the Senate Banking and Currency Committee. He had been Roosevelt's initial choice to serve as Secretary of the Treasury, but declined the Cabinet offer. Although Senator Glass was intent on passing banking reform legislation, federal deposit insurance was not one of the reforms he supported or sought. In opposing federal deposit insurance, Glass pointed to the record of the defunct state insurance programs. Nevertheless, he subsequently allowed bank deposit insurance to be written into a banking bill that he had sponsored. One business journal during the period reported that Glass simply had yielded to public opinion:

> It became perfectly apparent that the voters wanted the guarantee [deposit insurance], and that no bill which did not contain such a provision would be satisfactory either to Congress or to the public. Washington does not remember any issue on which the sentiment of the country has been so undivided or so emphatically expressed as upon this.[8]

In mid-May, both Senator Glass and Representative Steagall formally introduced banking reform bills, which included provisions for deposit insurance. The two bills primarily differed with respect to the conditions for membership in the deposit insurance corporation that was to be created. Whereas membership in the Federal Reserve was a precondition for obtaining deposit insurance under the Senate bill, it was not a prerequisite in the House version. Both bills incorporated the demands made by the Roosevelt Administration that: (1) deposit coverage be based on a sliding scale; and (2) there be a one-year delay in the start of the insurance corporation.

Later that month, however, the Glass bill was amended to incorporate Senator Arthur Vandenberg's proposal calling for the creation of a temporary deposit insurance fund. Vandenberg opposed a delay in the start of deposit insurance because "the need is greater in the next year than for the next hundred years."[9] On the day Vandenberg introduced his proposal, Vice President Garner was presiding over the Senate, which was sitting as a court of impeachment in the trial of a district judge. Garner had heard that Vandenberg had formulated a deposit insurance plan that would accomplish the same goals as those contained in an insurance bill which Garner had pushed through the House in 1932. Desiring that deposit insurance be implemented as soon as possible, Garner therefore approached Vandenberg during the impeachment proceedings and inquired whether he had the deposit insurance amendment in his possession. After Vandenberg responded affirmatively, Garner instructed him to introduce the amendment when signaled. Several minutes later, Garner suspended the court proceedings and ordered the Senate into regular session to consider more banking legislation. With Garner sitting by his side, Vandenberg then offered his deposit insurance amendment, which was overwhelmingly adopted.

The amendment stipulated that, effective January 1, 1934, the temporary fund would provide insurance coverage up to $2,500 for each depositor and would function until a permanent corporation began operations on July 1, 1934. If demands on the temporary fund exceeded available monies, the Treasury would be obliged to make up the difference. The amendment also provided that solvent state banks could join the fund.

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(From left) Vice President George Bush, Postmaster General William F. Bolger and Chairman William M. Isaac unveil the FDIC's 50th Anniversary commemorative stamp, as Mrs. Bush looks on, at a special ceremony and reception held at FDIC headquarters.

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The inclusion of the Vandenberg amendment in the Senate bill almost resulted in the defeat of deposit insurance in Congress. When the banking reform bills that had been passed by both houses were sent to a joint conference committee, for resolution of differences, an impasse promptly developed. The House conferees opposed the Vandenberg amendment contained in the Senate version of the bill, particularly the provision calling for the immediate establishment of a temporary insurance corporation. Another issue that split the conferees was whether Federal Reserve membership should be a precondition for obtaining deposit insurance.

A compromise finally was reached on June 12, after the Senate conferees threatened to remove all deposit insurance provisions from the bill. They feared that the impasse over deposit insurance could endanger all of the banking reform measures contained in the bill. In order to save the bill, the House conferees reluctantly accepted the Senate's version as well as an additional provision desired by the Senate conferees to liberalize the branching restrictions governing national banks. This provision reflected widespread public disillusionment with the failure-prone independent banking system. Proponents of branch banking maintained that geographic diversification of lending risks and the deposit base would result in a lower bank failure rate.

The bill agreed to by the conferees passed both houses of Congress on the following day. Some opponents of deposit insurance had not yet thrown in the towel, though. The American Bankers Association wired its member banks, urging them to telegraph President Roosevelt immediately to request his veto of the legislation. Nevertheless, President Roosevelt signed the measure, known as the Banking Act of 1933, into law on June 16, 1933. Section 8 of the Act created the Federal Deposit Insurance Corporation through an amendment to the Federal Reserve Act. The Banking Act of 1933 also created the Federal Reserve Open Market Committee and imposed restrictions on the permissible activities of member banks of the Federal Reserve System.

Deposit Insurance Provisions of the Banking Act of 1933

Section 12B of the Federal Reserve Act as amended created the Federal Deposit Insurance Corporation and defined its organization, duties and functions. It provided for two separate plans of deposit insurance: a temporary plan which was to be initiated on January 1, 1934, and a permanent plan which was to become effective on July 1, 1934.

Capital necessary to establish the FDIC was to be provided by the United States Treasury and the twelve Federal Reserve Banks. The Treasury was to contribute $150 million. Each of the twelve Federal Reserve Banks was required to subscribe to Class B capital stock in an amount equal to one-half of its surplus as of January 1, 1933.

Management of the FDIC was vested in a Board of Directors consisting of three members. The Comptroller of the Currency was designated a member *ex officio;* the other two members were to be appointed by the President for six-year terms with the advice and consent of the Senate. One of the two appointive directors was to serve as Chairman of the Board, and not more than two members of the Board could be members of the same political party.

The temporary plan of deposit insurance initially limited protection to $2,500 for each depositor. Banks admitted to insurance under the temporary plan were to be assessed an amount equal to one-half of one percent of insurable deposits. One-half of the assessment was payable at once; the rest was payable upon call by the FDIC.

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All Federal Reserve member banks licensed by the Secretary of the Treasury under terms of an Executive Order of the President, issued March 10, 1933, were required by law to become members of the temporary fund on January 1, 1934. Other banks were authorized to join the fund upon certification of their solvency by the respective state supervisory agencies and after examination by, and with the approval of, the Federal Deposit Insurance Corporation.

The original permanent plan, while it never took effect and was superseded by a new permanent plan in the Banking Act of 1935, contained certain features of historical interest. Banks participating in insurance under the original plan were to subscribe to capital stock of the FDIC and be subject to whatever assessments might be needed to meet the losses from deposit insurance operations. The plan provided for full protection of the first $10,000 of each depositor, 75 percent coverage of the next $40,000 of deposits, and 50 percent coverage of all deposits in excess of $50,000. In order to retain their insurance, all participating banks were required to become members of the Federal Reserve System within two years. Thus, with regard to financing, degree of protection and supervisory provisions, the original plan differed significantly from both the temporary plan and the permanent plan that became effective with the Banking Act of 1935.

Footnotes

[1]Golembe, "The Deposit Insurance Legislation of 1933," p. 182.

[2]A discussion of the Federal Reserve System's attitude appears in Milton Friedman and Anna J. Schwartz, *A Monetary History of the United States, 1867-1960* (Princeton, New Jersey: National Bureau of Economic Research, 1963), pp. 357-359. Much of the discussion relating to the events preceding the nationwide bank holiday is based on this source.

[3]The terms "bank suspensions" and "bank failures" are often used interchangeably. For the most part, this practice is followed throughout the chapter. Technically, however, "suspensions" include all banks that are closed because of financial difficulties, whereas "failures" are limited to those suspended banks that were placed in the hands of receivers and liquidated. Some of the suspended banks were reorganized or restored to solvency and resumed operations. In either instance, the assumption is that the suspended bank actually failed, though rehabilitation later occurred.

[4]Raymond Moley, *The First New Deal* (New York: Harcourt, Brace & World, Inc., 1966), p. 171.

[5]Ibid., p. 177.

[6]Ibid., pp. 318-319.

[7]"Wires Banks to Urge Veto of Glass Bill," *New York Times*, June 16, 1933, p. 14.

[8]"Deposit Insurance," *Business Week,* April 12, 1933, p. 3.

[9]"Bank Bill Debate to Open in Senate," *New York Times,* May 19, 1933, p. 4.

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Banks Closed Because of Financial Difficulties: FDIC Income, Disbursements and Losses

Certain statistical tables in the FDIC Annual Report have been deleted from the 1983 edition. These tables include:

- the asset and liability portion of Table 123, Insured Banks Requiring Disbursements by the FDIC;
- Table 124, Depositors, Deposits and Disbursements in Failed Banks Requiring Disbursements by the FDIC, 1934-1983;
- Table 126, Analysis of Disbursements, Recoveries and Losses in Deposit Insurance Transactions, January 1, 1934-December 31, 1983;
- Table 128, Protection of Depositors of Failed Banks Requiring Disbursements by the FDIC, 1934-1983.

Information that would have been presented in these tables is available from the FDIC Office of Information on a request basis.

The following tables remain in the 1983 FDIC Annual Report:

- Table 122, Number and Deposits of Banks Closed Because Of Financial Difficulties, 1934-1983;
- Table 123, Insured Banks Requiring Disbursements By The Federal Deposit Insurance Corporation During 1983;
- Table 125, Recoveries and Losses By The Federal Deposit Insurance Corporation On Principal Disbursements for Protection of Depositors, 1934-1983;
- Table 127, Income and Expenses, Federal Deposit Insurance Corporation, By Year, From Beginning of Operations, September 11, 1933 to December 31, 1983;
- Table 129, Insured Deposits And The Deposit Insurance Fund, 1934-1983.

Deposit Insurance Disbursements

Disbursements by the Federal Deposit Insurance Corporation to protect depositors are made when the insured deposits of banks in financial difficulties are paid off, or when the deposits of a failing bank are assumed by another insured bank with the financial aid of the Corporation. In deposit payoff cases, the disbursement is the amount paid by the Corporation on insured deposits. In the modified deposit payoff, an alternative method, the FDIC transfers the failed bank's insured and secured deposits to another bank in the community while uninsured depositors must share with the FDIC and other general creditors of the bank in any proceeds realized from liquidation of the failed bank's assets. In deposit assumption cases, the principal disbursement is the amount loaned to failing banks, or the price paid for assets purchased from them. Additional disbursements are made in those cases as advances for protection of assets in process of liquidation and for liquidation expenses. In deposit assumption cases, the Corporation also may purchase assets or guarantee an insured bank against loss by reason of its assuming the liabilities and purchasing the assets of an open or closed insured bank. Under its section 13(c) authority, the Corporation made disbursements in 1983 to three operating banks.

Noninsured Bank Failures

Statistics in this report on failures of noninsured banks are compiled from information obtained from State banking departments, field supervisory officials, and other sources. The Corporation received no reports of noninsured bank closures due to financial difficulties in 1983. For detailed data regarding noninsured banks that were suspended in the years 1934-1962, see the FDIC Annual Report for 1963, pages 27-41. For 1963-1983, see Table 122 of this report, and previous reports for respective years.

Sources of Data

Insured banks: books of bank at date of closing, and books of FDIC, December 31, 1983.

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Table 122. NUMBER AND DEPOSITS OF BANKS CLOSED BECAUSE OF FINANCIAL DIFFICULTIES, 1934–1983

Year	Number					Deposits (in thousands of dollars)					Assets[4] (in Thousands of Dollars)
			Insured					Insured			
	Total	Non-Insured[1]	Total	Without disbursements by FDIC[2]	With disbursements by FDIC[3]	Total	Non-Insured[1]	Total	Without disbursements by FDIC[2]	With disbursements by FDIC[3]	
Total	**812**	**136**	**676**	**8**	**668**	**25,584,821**	**143,501**	**25,441,321**	**41,147**	**25,400,174**	**33,025,350**
1934	61	52	9	...	9	37,332	35,365	1,968	...	1,968	2,661
1935	32	6	26	1	25	13,988	583	13,405	85	13,320	17,242
1936	72	3	69	...	69	28,100	592	27,508	...	27,508	31,941
1937	84	7	77	2	75	34,205	528	33,677	328	33,349	40,370
1938	81	7	74	...	74	60,722	1,038	59,684	...	59,684	69,513
1939	72	12	60	...	60	160,211	2,439	157,772	...	157,772	181,514
1940	48	5	43	...	43	142,788	358	142,430	...	142,430	161,898
1941	17	2	15	...	15	29,796	79	29,717	...	29,717	34,804
1942	23	3	20	...	20	19,540	355	19,185	...	19,185	22,254
1943	5	...	5	...	5	12,525	...	12,525	...	12,525	14,058
1944	2	...	2	...	2	1,915	...	1,915	...	1,915	2,098
1945	1	...	1	...	1	5,695	...	5,695	...	5,695	6,392
1946	2	1	1	...	1	494	147	347	...	347	351
1947	6	1	5	...	5	7,207	167	7,040	...	7,040	6,798
1948	3	...	3	...	3	10,674	...	10,674	...	10,674	10,360
1949	9	4	5	1	4	9,217	2,552	6,665	1,190	5,475	4,886
1950	5	1	4	...	4	5,555	42	5,513	...	5,513	4,005
1951	5	3	2	...	2	6,464	3,056	3,408	...	3,408	3,050
1952	4	1	3	...	3	3,313	143	3,170	...	3,170	2,388
1953	5	1	4	2	2	45,101	390	44,711	26,449	18,262	18,811
1954	4	2	2	...	2	2,948	1,950	998	...	998	1,138
1955	5	...	5	...	5	11,953	...	11,953	...	11,953	11,985
1956	3	1	2	...	2	11,690	360	11,330	...	11,330	12,914
1957	3	1	2	1	1	12,502	1,255	11,247	10,084	1,163	1,253
1958	9	5	4	...	4	10,413	2,173	8,240	...	8,240	8,905
1959	3	...	3	...	3	2,593	...	2,593	...	2,593	2,858
1960	2	1	1	...	1	7,965	1,035	6,930	...	6,930	7,506
1961	9	4	5	...	5	10,611	1,675	8,936	...	8,936	9,820
1962	3	2	1	1	...	4,231	1,220	3,011	3,011	...	...[5]
1963	2	...	2	...	2	23,444	...	23,444	...	23,444	26,179
1964	8	1	7	...	7	23,867	429	23,438	...	23,438	25,849
1965	9	4	5	...	5	45,256	1,395	43,861	...	43,861	58,750
1966	8	1	7	...	7	106,171	2,648	103,523	...	103,523	120,647
1967	4	...	4	...	4	10,878	...	10,878	...	10,878	11,993
1968	3	...	3	...	3	22,524	...	22,524	...	22,524	25,154
1969	9	...	9	...	9	40,134	...	40,134	...	40,134	43,572
1970	8	1	7	...	7	55,229	423	54,806	...	54,806	62,147
1971	6	...	6	...	6	132,058	...	132,058	...	132,058	196,520
1972	3	2	1	...	1	99,784	79,304	20,480	...	20,480	22,054
1973	6	...	6	...	6	971,296	...	971,296	...	971,296	1,309,675
1974	4	...	4	...	4	1,575,832	...	1,575,832	...	1,575,832	3,822,596
1975	14	1	13	...	13	340,574	1,000	339,574	...	339,574	419,950
1976	17	1	16	...	16	865,659	800	864,859	...	864,859	1,039,293
1977	6	...	6	...	6	205,208	...	205,208	...	205,208	232,612
1978	7	...	7	...	7	854,154	...	854,154	...	854,154	994,035
1979	10	...	10	...	10	110,696	...	110,696	...	110,696	132,988
1980	10	...	10	...	10	216,300	...	216,300	...	216,300	236,164
1981	10	...	10	...	10	3,826,022	...	3,826,022	...	3,826,022	4,859,060
1982	42	...	42	...	42	9,908,379	...	9,908,379	...	9,908,379	11,632,415
1983	48	...	48	...	48	5,441,608	...	5,441,608	...	5,441,608	7,206,923

[1]For information regarding each of these banks, see table 22 in the 1963 *Annual Report* (1963 and prior years), and explanatory notes to tables regarding banks closed because of financial difficulties in subsequent annual reports. One noninsured bank placed in receivership in 1934, with no deposits at time of closing, is omitted (see table 22 note 9). Deposits are unavailable for seven banks.
[2]For information regarding these cases, see table 23 of the *Annual Report* for 1963.
[3]For information regarding each bank, see the *Annual Report* for 1958, pp. 48–83 and pp. 98–127, and tables regarding deposit insurance disbursements in subsequent annual reports. Deposits are adjusted as of December 31, 1982.
[4]Insured banks only.
[5]Not available.

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Table 123. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL INSURANCE CORPORATION DURING 1983

Name and location	Class of bank	Number of depositors or accounts	Total Assets (000's)	Total Deposits (000's)	FDIC disbursements (000's)	Date of closing or deposit assumption	Receiver or liquidating agent or assuming bank
Deposit Payoff							
State Bank of Barnum Barnum, Minnesota	NM	3,043	13,288	12,611	11,900	February 9, 1983	Federal Deposit Insurance Corporation
Columbia Pacific Bank and Trust Company Portland, Oregon	SM	2,000	35,804	31,644	30,748	March 18, 1983	Federal Deposit Insurance Corporation
Prairie County Bank Hazen, Arkansas	NM	3,062	16,455	15,479	14,884	March 24, 1983	Federal Deposit Insurance Corporation
Sparta-Sanders State Bank Sparta, Kentucky	NM	769	19,585	18,303	18,193	April 15, 1983	Federal Deposit Insurance Corporation
Western National Bank of Lovell Lovell, Wyoming	N	2,300	13,312	17,416	16,132	June 24, 1983	Federal Deposit Insurance Corporation
Mineral Bank of Nevada Las Vegas, Nevada	SM	1,639	10,037	10,525	11,230	June 30, 1983	Federal Deposit Insurance Corporation
Union National Bank of Chicago Chicago, Illinois	N	13,441	23,908	24,518	20,379	July 8, 1983	Federal Deposit Insurance Corporation
First National Bank of Browning Browning, Montana	N	4,000	11,289	11,602	9,675	November 10, 1983	Federal Deposit Insurance Corporation
Atkinson Trust and Savings Bank Atkinson, Illinois	NM	3,929	20,359	18,900	17,937	November 25, 1983	Federal Deposit Insurance Corporation
Deposit Assumptions, Loans and Financially Assisted Mergers							
The Madison County Bank Fredericktown, Missouri	NM	7,100	6,701	6,555	3,064	January 21, 1983	Madison Exchange Bank Fredericktown, Missouri
Dry Dock Savings Bank New York, New York	NM	302,531	2,500,000	2,037,959	33,343	February 9, 1983	Dollar Savings Bank of New York New York, New York
American State Bank Bradley, Illinois	NM	4,868	12,115	12,463	5,657	February 12, 1983	Midwest Trust and Savings Bank of Bradley Bradley, Illinois
United American Bank in Knoxville Knoxville, Tennessee	NM	134,945	778,434	584,619	222, 447	February 14, 1983	First Tennessee Bank Knoxville, Tennessee
Merchants and Farmers State Bank Blythe, California	NM	1,500	5,319	5,204	2,941	February 18, 1983	Credit Bank Blythe, California
American City Bank Los Angeles, California	NM	25,749	271,765	254,536	191,378	February 25, 1983	Central Bank Oakland, California
Newport Harbour National Bank Newport Beach, California	N	2,219	47,663	44,234	32,964	March 11, 1983	Trans American National Bank Monterey Park, California
Pan American National Bank Union City, New Jersey	N	9,900	30,830	31,275	17,905	March 18, 1983	Hudson United Bank Union City, New Jersey
Bear Creek Valley Bank Phoenix, Oregon	NM	1,973	11,019	10,855	8,871	March 25, 1983	Valley of the Rogue Bank Rogue River, Oregon
The Ina State Bank Ina, Illinois	NM	4,627	16,253	15,892	9,362	April 8, 1983	First Bank and Trust Company Mount Vernon, Illinois
Bank of San Marino San Marino, California	NM	2,248	12,959	12,707	7,805	April 8, 1983	Trans American National Bank Monterey Park, California
Heritage Bank Ashland, Oregon	NM	3,342	16,408	14,621	10,495	April 29, 1983	Valley of the Rogue Bank Rogue River, Oregon
First National Bank of Oak Lawn Oak Lawn, Illinois	N	25,172	120,081	119,448	84,185	April 29, 1983	Oak Lawn National Bank Oak Lawn, Illinois
Smith County Bank Carthage, Tennessee	NM	5,118	28,231	27,198	18,039	May 6, 1983	Murfreesboro Bank and Trust Company Murfreesboro, Tennessee
City and County Bank of Knox County Knoxville, Tennessee	NM	32,016	243,885	227,481	151,601	May 27, 1983	Bank of Knoxville Knoxville, Tennessee
United Southern Bank of Nashville Nashville, Tennessee	SM	14,880	114,835	96,300	117,457	May 27, 1983	Union Planters Corporation Memphis, Tennessee
United American Bank in Hamilton County Chattanooga, Tennessee	NM	48,248	134,653	105,993	65,716	May 27, 1983	Union Planters Corporation Memphis, Tennessee

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Table 123. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL INSURANCE CORPORATION DURING 1983

Name and location	Class of bank	Number of depositors or accounts	Total Assets (000's)	Total Deposits (000's)	FDIC disbursements (000's)	Date of closing or deposit assumption	Receiver or liquidating agent or assuming bank
City and County Bank of Roane County Kingston, Tennessee	NM	7,000	40,120	36,499	22,146	May 27, 1983	Bank of Oak Ridge Oak Ridge, Tennessee
City and County Bank of Anderson County Lake City, Tennessee	NM	5,871	142,000	139,561	81,969	May 27, 1983	Third National Corporation Nashville, Tennessee
The Commercial Bank of California Los Angeles, California	NM	5,158	27,772	23,057	16,653	May 27, 1983	First Credit Bank Blythe, California
Community Bank Hartford, South Dakota	NM	8,355	42,383	39,327	23,814	June 17, 1983	Western Bank Sioux Falls, South Dakota
The First Central Bank Smithville, Tennessee	NM	3,222	18,989	18,246	11,353	July 8, 1983	City Bank and Trust Company McMinnville, Tennessee
Bank of Niobrara Niobrara, Nebraska	NM	773	7,285	6,239	5,078	July 8, 1983	Farmers and Merchants State Bank Bloomfield, Nebraska
First Peoples Bank of Washington County Johnson City, Tennessee	NM	20,334	152,543	176,549	86,515	July 29, 1983	First American National Bank — Eastern Kingsport, Tennessee
Metro Bank Midland, Texas	NM	2,500	30,747	28,786	20,794	July 29, 1983	Mid-Cities National Bank Midland, Texas
Oregon Mutual Savings Bank Portland, Oregon	NM	47,745	260,000	251,337	11,850	August 5, 1983	Oregon First Bank Portland, Oregon
The First National Bank of Danvers Danvers, Illinois	N	2,560	10,557	10,843	7,623	August 5, 1983	First State Bank of Danvers Danvers, Illinois
First Commerce Bank of Hawkins County Rogersville, Tennessee	NM	8,821	47,213	43,734	20,805	August 12, 1983	Hamilton Bank of Johnson City Johnson City, Tennessee
United Southern Bank of Clarksville Clarksville, Tennessee	NM	3,666	8,730	10,394	6,550	August 26, 1983	First American Bank of Nashville, NA Nashville, Tennesee
The Douglass State Bank Kansas City, Kansas	NM	7,200	28,327	26,545	20,184	September 2, 1983	The Douglass Bank Kansas City, Kansas
Warren County Bank McMinnville, Tennessee	NM	4,019	19,310	18,801	10,517	September 16, 1983	Murfreesboro Bank and Trust Company Murfreesboro, Tennesee
Dominion Bank of Denver Denver, Colorado	NM	2,653	11,461	11,915	7,233	September 30, 1983	Central Bank at Stapleton, N.A. Denver, Colorado
National Bank of Odessa Odessa, Texas	N	19,527	77,662	76,164	53,614	September 30, 1983	First State Bank of Odessa, NA Odessa, Texas
Auburn Savings Bank Auburn, New York	NM	38,014	130,000	131,382	9,840	October 1, 1983	Syracuse Savings Bank Syracuse, New York
The Deschutes Bank Redmond, Oregon	NM	2,800	9,414	9,224	7,318	October 7, 1983	United States National Bank of Oregon Portland, Oregon
The First National Bank of Midland Midland, Texas	N	76,400	1,404,092	574,183	1,076,217	October 14, 1983	RepublicBank Corporation Dallas, Texas
Union Trust Company San Juan, Puerto Rico	NM	1,267	25,630	23,275	15,410	December 9, 1983	Banco Popular de Puerto Rico San Juan, Puerto Rico
Bank of Hackleburg Hackleburg, Alabama	NM	2,005	6,833	6,800	2,797	December 13, 1983	Southrust Bank of Marion County Hamilton, Alabama
The Bank of Red Oak Red Oak, Oklahoma	NM	3,514	10,667	10,408	6,006	December 16, 1983	Farmers State Bank Quinton, Oklahoma

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Table 125. RECOVERIES AND LOSSES BY THE FEDERAL DEPOSIT INSURANCE CORPORATION ON DISBURSEMENTS FOR PROTECTION OF DEPOSITORS, 1934–1983 (Amounts in thousands of dollars)

Liquidation status and year of deposit payoff or deposit assumption	All cases					Deposit payoff cases					Deposit assumption cases[5]				
	Number of banks	Disburse-ments	Recoveries to Dec. 31, 1983	Estimated additional recoveries	Losses[1]	Number of banks	Disburse-ments[2]	Recoveries to Dec. 31, 1983	Estimated additional recoveries	Losses[1]	Number of banks	Disburse-ments[3]	Recoveries to Dec. 31, 1983	Estimated additional recoveries	Losses[1]
Total	**668**	**10,858,467**	**5,556,305,**	**2,725,109**	**2,577,053**	**328**	**813,179**	**372,868**	**245,063**	**195,248**	**340**	**10,045,288**	**5,183,437**	**2,480,046**	**2,381,805**
Year[4]															
1934	9	941	734	...	207	9	941	734	...	207	...	...	...	...	...
1935	25	9,108	6,423	...	2,685	24	6,026	4,274	...	1,752	1	3,082	2,149	...	933
1936	69	15,206	12,873	...	2,333	42	7,735	6,397	...	1,338	27	7,471	6,476	...	995
1937	75	20,204	16,532	...	3,672	50	12,365	9,718	...	2,647	25	7,839	6,814	...	1,025
1938	74	34,394	31,969	...	2,425	50	9,092	7,908	...	1,184	24	25,302	24,061	...	1,241
1939	60	81,828	74,676	...	7,152	32	26,196	20,399	...	5,797	28	55,632	54,277	...	1,355
1940	43	87,899	84,103	...	3,796	19	4,895	4,313	...	582	24	83,004	79,790	...	3,214
1941	15	25,061	24,470	...	591	8	12,278	12,065	...	213	7	12,783	12,405	...	378
1942	20	11,684	10,996	...	688	6	1,612	1,320	...	292	14	10,072	9,676	...	396
1943	5	7,230	7,107	...	123	4	5,500	5,377	...	123	1	1,730	1,730	...	...
1944	2	1,532	1,492	...	40	1	404	364	...	40	1	1,128	1,128	...	...
1945	1	1,845	1,845	...	...	...	...	...	...	...	1	1,845	1,845	...	...
1946	1	274	274	...	...	...	...	...	...	...	1	274	274	...	...
1947	5	2,038	1,979	...	59	...	...	...	...	...	5	2,038	1,979	...	59
1948	3	3,150	2,509	...	641	...	...	...	...	...	3	3,150	2,509	...	641
1949	4	2,685	2,316	...	369	...	...	...	...	...	4	2,685	2,316	...	369
1950	4	4,404	3,019	...	1,385	...	...	...	...	...	4	4,404	3,019	...	1,385
1951	2	1,986	1,986	...	...	...	...	...	...	...	2	1,986	1,986	...	...
1952	3	1,525	733	...	792	...	...	...	...	...	3	1,525	733	...	792
1953	2	5,359	5,359	...	...	...	...	...	...	...	2	5,359	5,359	...	...
1954	2	1,029	771	...	258	...	...	...	...	...	2	1,029	771	...	258
1955	5	7,315	7,085	...	230	4	4,438	4,208	...	230	1	2,877	2,877	...	...
1956	2	3,499	3,286	...	213	1	2,795	2,582	...	213	1	704	704	...	...
1957	1	1,031	1,031	...	...	1	1,031	1,031	...	...	...	...	...	...	...
1958	4	3,051	3,023	...	28	3	2,796	2,768	...	28	1	255	255	...	...
1959	3	1,835	1,738	...	97	3	1,835	1,738	...	97	...	...	...	...	...
1960	1	4,765	4,765	...	...	1	4,765	4,765	...	...	...	...	...	...	...
1961	5	6,201	4,699	...	1,502	5	6,201	4,699	...	1,502	...	...	...	...	...
1963	2	19,172	18,886	...	286	2	19,172	18,886	...	286	...	...	...	...	...
1964	7	13,741	12,171	659	911	7	13,741	12,171	659	911	...	...	...	...	...
1965	5	11,529	7,438	198	3,893	3	10,958	7,013	198	3,747	2	571	425	...	146
1966	7	10,020	9,541	234	245	1	735	735	...	...	6	9,285	8,806	234	245
1967	4	8,097	7,087	...	1,010	4	8,097	7,087	...	1,010	...	...	...	...	...
1968	3	6,476	6,464	...	12	...	...	...	...	...	3	6,476	6,464	...	12
1969	9	41,196	41,035	8	153	4	7,596	7,514	...	82	5	33,600	33,521	8	71
1970	7	50,953	50,570	111	272	4	29,329	28,993	64	272	3	21,624	21,577	47	...
1971	6	171,409	171,159	57	193	5	53,790	53,552	45	193	1	117,619	117,607	12	...
1972	1	16,255	13,874	693	1,688	1	16,255	13,874	693	1,688	...	...	...	...	...
1973	6	433,585	334,459	34,601	64,525	3	16,782	16,771	11	...	3	416,803	317,688	34,590	64,525
1974	4	2,400,675	2,230,103	170,227	345	...	...	...	...	...	4	2,400,675	2,230,103	170,227	345
1975	13	326,024	275,804	31,672	18,548	3	25,992	25,346	559	87	10	300,032	250,458	31,113	18,461
1976	16	591,865	502,853	72,125	16,887	3	11,462	9,130	472	1,860	13	580,403	493,723	71,653	15,027
1977	6	25,043	18,155	4,535	2,353	...	...	...	...	...	6	25,043	18,155	4,535	2,353
1978	7	529,061	453,156	70,096	5,809	1	818	572	87	159	6	528,243	452,584	70,009	5,650
1979	10	86,143	67,617	9,691	8,835	3	9,959	8,100	1,121	738	7	76,184	59,517	8,570	8,097
1980	10	143,086	90,178	29,491	23,417	3	13,882	8,299	4,202	1,381	7	129,204	81,879	25,289	22,036
1981	10	987,848	321,356	49,362	617,130	2	35,775	14,711	10,883	10,181	8	952,073	306,645	38,479	606,949
1982	42	1,980,616	232,238	551,996	1,196,382	7	276,853	45,454	93,325	138,074	35	1,703,763	186,784	458,671	1,058,308
1983	48	2,658,594	374,368	1,699,353	584,873	9	151,078	...	132,744	18,334	39	2,507,516	374,368	1,566,609	566,539

[1]Includes estimated losses in active cases. Not adjusted for interest or allowable return, which was collected in some cases in which the disbursement was fully recovered.
[2]Includes estimated additional disbursements in active cases.
[3]Excludes excess collections turned over to banks as additional purchase price at termination of liquidation.
[4]No case in 1962 required disbursements.
[5]"Deposit Assumption Cases" include:
a) Banks merged with financial assistance from FDIC to prevent probable failure.
b) $822.5 million of recorded liabilities at book value payable over future years.
c) $435.0 million of recorded liabilities at present value expected to be payable over future years.
d) $347.6 million of disbursements for advances to protect assets and liquidation expenses which had been excluded in prior years.

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Table 127. INCOME AND EXPENSES, FEDERAL DEPOSIT INSURANCE CORPORATION, BY YEAR, FROM BEGINNING OF OPERATIONS, SEPTEMBER 11, 1933 TO DECEMBER 31, 1983 (In millions)

Year	Income				Expenses and losses				
	Total	Assessment Income	Assessment Credits	Investment and other sources[1]	Total	Deposit insurance losses and expenses	Interest on capital stock[2]	Administrative and operating expenses	Net income added to deposit insurance fund[3]
Total	**$ 19,894.3**	**$ 15,504.1**	**$ 6,709.1**	**$ 11,099.3**	**$ 4,465.2**	**$ 2,733.2**	**$ 80.6**	**$ 1,651.4**	**$ 15,429.1**
1983	2,628.1	1,214.9	164.0	1,577.2	969.9	834.2	...	135.7	1,658.2
1982	2,524.6	1,108.9	96.2	1,511.9	999.8	869.9	...	129.9	1,524.8
1981	2,074.7	1,039.0	117.1	1,152.8	848.1	720.9	...	127.2	1,226.6
1980	1,310.4	951.9	521.1	879.6	83.6	(34.6)	...	118.2	1,226.8
1979	1,090.4	881.0	524.6	734.0	93.7	(13.1)	...	106.8	996.7
1978	952.1	810.1	443.1	585.1	148.9[4]	45.6	...	103.3	803.2
1977	837.8	731.3	411.9	518.4	113.6	24.3	...	89.3	724.2
1976	764.9	676.1	379.6	468.4	212.3[4]	31.9	...	180.4[5]	552.6
1975	689.3	641.3	362.4	410.4	97.5	29.8	...	67.7	591.8
1974	668.1	587.4	285.4	366.1	159.2	100.0	...	59.2	508.9
1973	561.0	529.4	283.4	315.0	108.2	53.8	...	54.4	452.8
1972	467.0	468.8	280.3	278.5	59.7	10.1	...	49.6	407.3
1971	415.3	417.2	241.4	239.5	60.3	13.4	...	46.9	355.0
1970	382.7	369.3	210.0	223.4	46.0	3.8	...	42.2	336.7
1969	335.8	364.2	220.2	191.8	34.5	1.0	...	33.5	301.3
1968	295.0	334.5	202.1	162.6	29.1	0.1	...	29.0	265.9
1967	263.0	303.1	182.4	142.3	27.3	2.9	...	24.4	235.7
1966	241.0	284.3	172.6	129.3	19.9	0.1	...	19.8	221.1
1965	214.6	260.5	158.3	112.4	22.9	5.2	...	17.7	191.7
1964	197.1	238.2	145.2	104.1	18.4	2.9	...	15.5	178.7
1963	181.9	220.6	136.4	97.7	15.1	0.7	...	14.4	166.8
1962	161.1	203.4	126.9	84.6	13.8	0.1	...	13.7	147.3
1961	147.3	188.9	115.5	73.9	14.8	1.6	...	13.2	132.5
1960	144.6	180.4	100.8	65.0	12.5	0.1	...	12.4	132.1
1959	136.5	178.2	99.6	57.9	12.1	0.2	...	11.9	124.4
1958	126.8	166.8	93.0	53.0	11.6	...	...	11.6	115.2
1957	117.3	159.3	90.2	48.2	9.7	0.1	...	9.6	107.6
1956	111.9	155.5	87.3	43.7	9.4	0.3	...	9.1	102.5
1955	105.7	151.5	85.4	39.6	9.0	0.3	...	8.7	96.7
1954	99.7	144.2	81.8	37.3	7.8	0.1	...	7.7	91.9
1953	94.2	138.7	78.5	34.0	7.3	0.1	...	7.2	86.9
1952	88.6	131.0	73.7	31.3	7.8	0.8	...	7.0	80.8
1951	83.5	124.3	70.0	29.2	6.6	...	...	6.6	76.9
1950	84.8	122.9	68.7	30.6	7.8	1.4	...	6.4	77.0
1949	151.1	122.7	...	28.4	6.4	0.3	...	6.1	144.7
1948	145.6	119.3	...	26.3	7.0	0.7	0.6	5.7	138.6
1947	157.5	114.4	...	43.1	9.9	0.1	4.8	5.0	147.6
1946	130.7	107.0	...	23.7	10.0	0.1	5.8	4.1	120.7
1945	121.0	93.7	...	27.3	9.4	0.1	5.8	3.5	111.6
1944	99.3	80.9	...	18.4	9.3	0.1	5.8	3.4	90.0
1943	86.6	70.0	...	16.6	9.8	0.2	5.8	3.8	76.8
1942	69.1	56.5	...	12.6	10.1	0.5	5.8	3.8	59.0
1941	62.0	51.4	...	10.6	10.1	0.6	5.8	3.7	51.9
1940	55.9	46.2	...	9.7	12.9	3.5	5.8	3.6	43.0
1939	51.2	40.7	...	10.5	16.4	7.2	5.8	3.4	34.8
1938	47.7	38.3	...	9.4	11.3	2.5	5.8	3.0	36.4
1937	48.2	38.8	...	9.4	12.2	3.7	5.8	2.7	36.0
1936	43.8	35.6	...	8.2	10.9	2.6	5.8	2.5	32.9
1935	20.8	11.5	...	9.3	11.3	2.8	5.8	2.7	9.5
1933–34	7.0	(4)	...	7.0	10.0	0.2	5.6	4.2[5]	−3.0

[1]Includes $183.7 million of interest and allowable return received on funds advanced to receivership and deposit assumption cases and $287 million of interest on capital notes advanced to facilitate deposit assumption transactions and assistance to open banks.
[2]Paid in 1950 and 1951, but allocated among years to which it applied. Initial capital of $289 million was retired by payments to the U.S. Treasury in 1947 and 1948.
[3]Assessments collected from members of the temporary insurance funds which became insured under the permanent plan were credited to their accounts at the termination of the temporary funds and were applied toward payment of subsequent assessments becoming due under the permanent insurance funding, resulting in no income to the Corporation from assessments during the existence of the temporary insurance funds.
[4]Includes net loss on sales of U.S. Government securities of $105.6 million in 1976 and $3.6 million in 1978.
[5]Net after deducting the portion of expenses and losses charged to banks withdrawing from the temporary insurance funds on June 30, 1934.

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Table 129. INSURED DEPOSITS AND THE DEPOSIT INSURANCE FUND, 1934–1983 (In millions)

Year (December 31)	Insurance Coverage	Deposits in insured banks[1]		Percentage of insured deposits	Deposit insurance fund	Ratio of deposit insurance fund to—	
		Total	Insured			Total deposits	Insured deposits
1983[7]	**$100,000**	**1,690,332**	**1,268,332**	**75.0**	**$15,429.1**	**.91**	**1.22**
1982	$100,000	1,544,697	1,134,221	73.4	13,770.9	.89	1.21
1981	100,000	1,409,322	988,898	70.2	12,246.1	.87	1.24
1980	100,000	1,324,463	948,717	71.6	11,019.5	.83	1.16
1979	40,000	1,226,943	808,555	65.9	9,792.7	.80	1.21
1978	40,000[6]	1,145,835	760,706	66.4	8,796.0	.77	1.16
1977	40,000[5]	1,050,435	692,533	65.9	7,992.8	.76	1.15
1976	40,000	941,923	628,263	66.7	7,268.8	.77	1.16
1975	40,000	875,985	569,101	65.0	6,716.0	.77	1.18
1974	40,000	833,277	520,309	62.5	6,124.2	.73	1.18
1973	20,000	766,509	465,600	60.7	5,615.3	.73	1.21
1972	20,000	697,480	419,756	60.2	5,158.7	.74	1.23
1971	20,000	610,685	374,568	61.3	4,739.9	.78	1.27
1970	20,000	545,198	349,581	64.1	4,379.6	.80	1.25
1969	20,000	495,858	313,085	63.1	4,051.1	.82	1.29
1968	15,000	491,513	296,701	60.2	3,749.2	.76	1.26
1967	15,000	448,709	261,149	58.2	3,485.5	.78	1.33
1966	15,000	401,096	234,150	58.4	3,252.0	.81	1.39
1965	10,000	377,400	209,690	55.6	3,036.3	.80	1.45
1964	10,000	348,981	191,787	55.0	2,844.7	.82	1.48
1963	10,000	313,304[2]	177,381	56.6	2,667.9	.85	1.50
1962	10,000	297,548[3]	170,210	57.2	2,502.0	.84	1.47
1961	10,000	281,304	160,309	57.0	2,353.8	.84	1.47
1960	10,000	260,495	149,684	57.5	2,222.2	.85	1.48
1959	10,000	247,589	142,131	57.4	2,089.8	.84	1.47
1958	10,000	242,445	137,698	56.8	1,965.4	.81	1.43
1957	10,000	225,507	127,055	56.3	1,850.5	.82	1.46
1956	10,000	219,393	121,008	55.2	1,742.1	.79	1.44
1955	10,000	212,226	116,380	54.8	1,639.6	.77	1.41
1954	10,000	203,195	110,973	54.6	1,542.7	.76	1.39
1953	10,000	193,466	105,610	54.6	1,450.7	.75	1.37
1952	10,000	188,142	101,841	54.1	1,363.5	.72	1.34
1951	10,000	178,540	96,713	54.2	1,282.2	.72	1.33
1950	10,000	167,818	91,359	54.4	1,243.9	.74	1.36
1949	5,000	156,786	76,589	48.8	1,203.9	.77	1.57
1948	5,000	153,454	75,320	49.1	1,065.9	.69	1.42
1947	5,000	154,096	76,254	49.5	1,006.1	.65	1.32
1946	5,000	148,458	73,759	49.7	1,058.5	.71	1.44
1945	5,000	157,174	67,021	42.4	929.2	.59	1.39
1944	5,000	134,662	56,398	41.9	804.3	.60	1.43
1943	5,000	111,650	48,440	43.4	703.1	.63	1.45
1942	5,000	89,869	32,837	36.5	616.9	.69	1.88
1941	5,000	71,209	28,249	39.7	553.5	.78	1.96
1940	5,000	65,288	26,638	40.8	496.0	.76	1.86
1939	5,000	57,485	24,650	42.9	452.7	.79	1.84
1938	5,000	50,791	23,121	45.5	420.5	.83	1.82
1937	5,000	48,228	22,557	46.8	383.1	.79	1.70
1936	5,000	50,281	22,330	44.4	343.4	.68	1.54
1935	5,000	45,125	20,158	44.7	306.0	.68	1.52
1934	5,000[4]	40,060	18,075	45.1	291.7	.73	1.61

[1]Deposits in foreign branches are omitted from totals because they are not insured. Insured deposits are estimated by applying to the deposits in the various types of accounts at the regular Call dates, the percentages insured as determined from the Summary of Deposits survey submitted by insured banks.
[2]December 20, 1963.
[3]December 28, 1962.
[4]Initial coverage was $2,500 from January 1 to June 30, 1934.
[5]$100,000 for time and savings deposits of in-state governmental units provided in 1974.
[6]$100,000 for Individual Retirement accounts and Keogh accounts provided in 1978.
[7]Deposits are based on preliminary data.

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