



# Letter to Stakeholders

2nd quarter  
2004

## FDIC

It has been two years since we began our quarterly Letter to Stakeholders. This Letter, our ninth, covers the second quarter of 2004. We have received positive feedback about our Stakeholders Letter, in which we report on our activities and priorities, and we hope it continues to be a useful source of information for you. For more information about the activities of the FDIC, please visit our Web site at [www.fdic.gov](http://www.fdic.gov).

  
Don Powell  
Chairman

## Our Priorities

### Stability

- Board approved maintaining the existing BIF and SAIF assessment rate schedules for the second half of 2004.
- Chairman Powell testified on the condition of the banking industry before the Senate Committee on Banking, Housing and Urban Affairs, discussing the condition of FDIC-insured institutions and the deposit insurance funds, the potential risks to the banking industry, and the implications of industry consolidation.
- Issued four draft papers from the *Future of Banking* study on the FDIC's Web site. These studies examined the changing role of banks in the economy, the prospects for community banks and recent developments in small dollar payment systems.
- Co-sponsored with the Treasury Department outreach meetings on "Protecting the Financial Sector" in 15 cities. These meetings examine the security of the United States financial sector and outline steps that banks can take to protect themselves.

### Sound Policy

- Vice Chairman Reich testified before the House Subcommittee on Financial Institutions and Consumer Credit and the Senate Banking Committee offering, respectively, warnings that growing regulatory burden could threaten community-based banks and recommendations for legislative changes to reduce regulatory burden.
- Issued for publication with other federal bank, thrift and credit union regulatory agencies a proposed rule under the Fair Credit Reporting Act that would incorporate the statutory prohibition on obtaining or using medical information in connection with credit eligibility determinations and, as required by statute, create certain exceptions to be applied in limited circumstances.
- Requested public comment, along with four other federal agencies, on a proposed statement describing internal controls and risk-management procedures that the agencies believe will assist financial institutions that engage in complex structured finance activities to identify and address the risks associated with such transactions.
- Announced the appointment of Paul H. Kupiec as Associate Director of the FDIC's Division of Insurance and Research and Co-Director of the FDIC Center for Financial Research (CFR). He will be working with Mark J. Flannery, Co-Director of the CFR and Bank America Eminent Scholar in Finance at the University of Florida.
- Issued, along with other federal financial institutions' supervisory agencies, proposed guidance to assist insured depository institutions in the responsible disclosure and administration of overdraft protection services.

### Stewardship

- Chairman Powell testified before the Senate Committee on Banking, Housing and Urban Affairs on regulatory efforts to ensure compliance with the Bank Secrecy Act.
- Published first issue of the *Supervisory Insights* journal.
- Sold first quarter 2004 asset sales offerings using award-winning Web-based system to market and sell loans over the Internet. The FDIC was recognized for its Web-based system, "FDIC Sales.com," by the 2003 President's Quality Award Program for excellence in expanding electronic government.
- The Office of Internal Control Management (OICM) has become the Office of Enterprise Risk Management (OERM). Jim Angel has been selected as the Director.
- Held a meeting of the FDIC Advisory Committee on Banking Policy, with discussion of a variety of topics including payday lending, federal preemption of state laws, and Basel II capital requirements.
- Implemented a new electronic subscription service that delivers FDIC publications and products directly to users' desktops, allowing the FDIC to expand its customer base and readership while reducing hard-copy printing costs.

## Our Key Indices Most Current Data

Insurance	BIF		SAIF		Both Funds	
	Q1 2003	Q1 2004	Q1 2003	Q1 2004	Q1 2003	Q1 2004
Updated quarterly (\$ billions)						
# Insured Inst.	8,114	7,949	1,216	1,181	9,330	9,130
\$ Insured Inst.	\$ 7,476	\$ 8,148	\$ 1,141	\$ 1,239	\$ 8,617	\$ 9,387
Insured Deposits	\$ 2,546	\$ 2,587	\$ 868	\$ 914	\$ 3,414	\$ 3,501
Fund Balances	\$ 32.4	\$ 34.2	\$ 11.9	\$ 12.4	\$ 44.3	\$ 46.6
Reserve Ratios	% 1.27	% 1.32	% 1.37	% 1.36	% 1.30	% 1.33

Supervision	6/30/2003	6/30/2004
YTD		
Total Number of FDIC Supervised Institutions	5,338	5,288
Bank Examinations:		
Safety and Soundness	1,202	1,342
Compliance and CRA	944	1,087
Insurance and Other Applications Approved	1,354	1,514
Formal and Informal Enforcement Actions	202	267

Receiverships	BIF		SAIF		Both Funds	
YTD (\$ millions)	Q2 2003	Q2 2004	Q2 2003	Q2 2004	Q2 2003	Q2 2004
Total Receiverships	34	32	3	3	37	35
Assets in Liquidation	\$ 657	\$ 313	\$ 402	\$ 329	\$ 1,059	\$ 642
Collections	\$ 1,382	\$ 132	\$ 7	\$ 19	\$ 1,389	\$ 151
Dividends Paid	\$ 701	\$ 274	\$ 0	\$ 5	\$ 701	\$ 279

Income	BIF		SAIF		Both Funds	
YTD (\$ millions)	Q1 2004	Q2 2004	Q1 2004	Q2 2004	Q1 2004	Q2 2004
Assessment Income	\$ 19	\$ 38	\$ 3	\$ 6	\$ 22	\$ 44
Interest	\$ 340	\$ 764	\$ 122	\$ 273	\$ 462	\$ 1,037
Comprehensive Income	\$ 382	\$ 328	\$ 154	\$ 171	\$ 536	\$ 499

Resources	Budget/Expenditures				On Board Staff	
(\$ millions)	Total	Ongoing Operations	Recvrshp Funding	Major Investment Funding	Q2 2004	Target Y/E 2004
Annual Budget	\$ 1,236	\$ 1,015	\$ 75	\$ 146	5,287	5,425
YTD Expended	\$ 523	\$ 457	\$ 10	\$ 56		

▼ Financial data is unaudited  
● Data as of June 26, 2004