Remarks
by
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Before the
Heartland Community Bankers Association

Omaha, Nebraska
October 20, 1997

Thank you.

The last several months, I have been thinking a lot about luck. Growing up, I heard teachers and coaches tell me again and again, "You make your own luck." I also heard a number of educators tell fellow students, "If you do nothing else in life, you can serve others as a bad example."

Certainly, a few counterfeiters I heard about recently have borne both observations out. One fellow, in Baton Rouge, Louisiana, was convicted of trying to pass a single bogus $20 bill. He had cut the corners off a $20 bill and pasted them over the ones on a one-dollar bill. His sentencing judge said this was, quote, "the most inept counterfeiter I have ever heard of," and I am inclined to agree with him. A second fellow was arrested in a printing-supply store in Madison, Wisconsin, after alert employees notified the police of a suspicious customer. He had lingered for a long time beside a color chart, holding dollar bills up to it until he was sure which shade of green ink to order. After he placed the order and left, store employees copied down his car's license plate number and notified the authorities. A third counterfeiter was convicted in 1990 in Orlando, Florida, as the first U.S. citizen ever convicted of counterfeiting Polish currency -- the zloty. His work -- done on a Canon color copier, came to three million zlotys -- which the court valued at $316. The federal agent who arrested the counterfeiter said that he could have printed a boxcar full of them and still he would not have had enough money to have bought an expensive suit.

Clearly, these guys created their own bad luck -- and serve as bad examples to all of us.

I think that you would agree, however, that for most of us, luck is a combination of what we do and the circumstances in which we find ourselves. As luck would have it, I'm serving my third round as acting Chairman of the Federal Deposit Insurance Corporation.

My first time as acting Chairman lasted days. My second time lasted years. This third time I have already been Chairman for more than four months -- and I intend to serve in office for as long as it is necessary.

There are four goals that I want to accomplish as Chairman -- four ways that I am working to leave the Corporation as strong or stronger than I found it when I became Chairman last June.

The first is to underscore the enduring value of deposit insurance for the American people. The second is to preserve the FDIC's independence. The third is to continue to prepare the agency to meet the challenges of the future. And the fourth is to make the FDIC the acknowledged leader in assessing risk in the banking industry. Bankers will benefit from these efforts just as much as the FDIC will itself.

It is no secret to any of you here in America's heartland that deposit insurance has anchored public confidence in the banking system for the past three generations. In one critical way, it puts the smallest bank in Nebraska on the same competitive footing as the largest banks in New York, or California, or North Carolina -- insured depositors never have to worry about the safety of their funds if their banks fail. The guarantee that their funds will be returned is an absolute certainty. There is not much that is certain in life -- and all of us know how little is certain in the financial world -- but tens of millions of Americans have been able to sleep peacefully at night with the knowledge that -- come what may -- their savings are not in doubt. As important as it is to protect the saver, however, deposit insurance has a wider benefit -- a benefit for all the people touched by our economy, and that means everyone.

Agriculture, industry and commerce depend on a source of finance and a reliable system of exchanging payments. The lawmakers who created deposit insurance more than 60 years ago had witnessed a meltdown in the financial system that brought the rest of the economy to the edge of collapse. That meltdown had been triggered by runs on banks and banking panics. In restoring confidence in the banking system, federal deposit insurance assured that the farmers and business people, the local governments and the manufacturers of America, would never have to worry that uncertainty about the soundness of banks would again disrupt their lives.

Deposit insurance is a means to an end: a stable economy. Banks of all sizes -- community banks, regional banks and money center banks -- benefit from that stability along with everyone else.

Recently, a number of people have suggested that deposit insurance be scaled back dramatically, or eliminated entirely. If we did so, they argue, the regulatory burden on the industry will be lessened. Well, the federal government got into bank regulation in 1864, but did not get around to deposit insurance until 1933.

There is more to regulation than a desire to protect the insurance fund from loss -- there is the desire to assure a source of finance and a payments system, the very same goals that led to the creation of deposit insurance. Experience underscores that regulation won't end if deposit insurance is eliminated.

The lawmakers who created Federal deposit insurance for banks also made clear that they intended the insurer to be independent.

The stability of the financial system was too important to leave it exposed to partisan struggling. They wanted people who managed the FDIC to make decisions in the public interest, not in the interest of political expediency. Sometimes those decisions involve tens of billions of dollars and affect the fortunes of economic sectors and regions. They are not the easiest of decisions to make. At bottom, independence is a matter of integrity. The integrity of our insurance funds rests on the integrity of the people who manage them. Independence assures everyone that our decisions are not the result of some hidden agenda.

My third goal -- making sure the FDIC is prepared for the challenges of the future -- covers a number of initiatives at the Corporation to improve and enhance our systems, skills, and sophisticated knowledge base. These three elements work together -- if we want them to.

Let me give you an example of what I mean.

A few days ago, American Banker reported on our new process for examining state-chartered banks that allows our examiners to leverage our computer resources and focus more on risk assessment than on procedure.

We call it the Examiner Laptop Visual Information System -- or Elvis for short, though I have found that a distressing number of our younger examiners do not have memories of Mr. Presley to connect the name to. Our Elvis is software that guides examiners through a range of examination modules that analyze how -- and how well -- a bank's management handles risk. Using the software, an examiner conducts a core analysis, and then decides whether an area such as loan portfolio management or internal controls warrants an in-depth look. Elvis helps examiners move quickly through areas where banks have no problems and to identify and focus on areas where problems may lurk.

Our commitment to computer technology in the field -- through Elvis and otherwise -- allows our examiners -- always the heart of our safety and soundness effort -- to do a better, faster job, bank by bank. Our examiners are trained better than they have ever been and they benefit enormously from the leverage that computer technology gives them.

They also benefit from the analytical backup -- the sophisticated knowledge base -- that our Division of Insurance and our Division of Research and Statistics provide. Our team approach to monitoring and assessing risk in the banking system gives us a view of risk in the institution, in the region and in the banking system that is at the same time both deep and comprehensive. With experience, that view will become even deeper.

For example, our Division of Insurance recently looked at the causes of personal bankruptcy around the country. One of its conclusions was that there is no one cause for the dramatic rise in bankruptcies in recent years -- the mix of causes changes from state to state and region to region.

If there is one thing that I have learned from reading about the mistakes of criminals over the years, it is the importance of both planning and judgment. Planning without judgment is simply a drill. A number of years ago, three thieves in Essex in England thought that they had planned a perfect raid on the local post office. Among the details that they discussed were the times when there was probably the most cash and the least number of security guards on the premises. They invested in high quality masks and a new getaway car.

At what seemed to them the perfect time, they entered the building -- and then discovered that the Post Office had been closed for twelve years.

It had been replaced by a general store.

No one had though to look.
They made away with the six pounds they found in the till.
My plan as Chairman of the FDIC is to preserve the benefits that our Corporation delivers to the public by changing some of the ways that we operate. Preservation through change might seem a contradiction. But I've been able to take a long look at the Corporation in the seven years that I have been there, and I don't think that it would be a rush to judgment to conclude that embracing change is the best way to assure that we endure.

Thank you.
Last Updated 06/25/1999