TESTIMONY OF
ANDREW C. HOVE, JR., ACTING CHAIRMAN
FEDERAL DEPOSIT INSURANCE CORPORATION
ON
FDIC'S IMPLEMENTATION OF THE
GOVERNMENT PERFORMANCE AND RESULTS ACT
BEFORE THE
COMMITTEE ON BANKING AND FINANCIAL SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES

10:00 A.M.
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ROOM 2128, RAYBURN HOUSE OFFICE BUILDING

Summary

The Federal Deposit Insurance Corporation strongly supports the Government Performance and Results Act which takes effect this year. We are proud of our planning accomplishments over the past several years. While the Act applies the principles of sound business management to the Federal government, the FDIC has been using strategic planning and performance measurement principles for years prior to the enactment of the Results Act.

The FDIC's draft Strategic Plan for 1997-2002 reflects our increasing emphasis on risk management rather than resolving and liquidating failed institutions. The Plan includes vision, values and mission statements that reflect our commitment to risk management, ensuring the safety and soundness of our banking system, assuring fairness in the provision of financial services, and providing a positive environment for our employees to achieve our mission.

The Strategic Plan includes goals, objectives and strategies for the FDIC's three major program areas: Insurance; Supervision; and Policy, Regulation and Outreach. The Insurance program area comprises three functional areas identified as Risk Assessment; Resolution of Failing Institutions; and Receivership Management. This program area reflects the FDIC's role as deposit insurer in assessing potential risks to the insurance funds and proactively minimizing risks and costs to the insurance funds. In addition, the Insurance program area reflects the Corporation's role of minimizing costs to the funds through the orderly and "least costly" resolution of failed or failing institutions, and by effectively managing receivership operations.

The Supervision program area encompasses two functions identified as Risk Management-Safety and Soundness, and Risk Management-Compliance and Enforcement. The Supervision program area enables the FDIC to fulfill its role of

promoting the safety and soundness of insured depository institutions and fairness in the provision of financial services.

The Policy, Regulation, and Outreach program area comprises three functional areas: Consumer Affairs; Community Affairs and Outreach; and Outreach-Safety and Soundness. In addition to the Supervision program area, this program area is the way the FDIC fulfills its role of implementing statutes related to consumer protection, fair lending, and deposit insurance.

The FDIC's draft Strategic Plan addresses the resource strategies that will assist the FDIC in meeting its goals and objectives. In the staffing area, the FDIC is continuing to transfer staff from the failing institution resolution and liquidation areas into risk assessment, supervision, and compliance, in accordance with our increased emphasis on risk management. We also are pursuing technological initiatives that will improve examiners' ability to evaluate the financial condition of institutions and their compliance with fair lending and other laws. The Strategic Plan also includes annual performance measures that tie to the Plan's long- term goals and objectives.

While the Strategic Plan describes measures in general terms, the FDIC's Annual Performance Plan (which we referred to in prior years as our Corporate Business Plan) specifies performance goals or target levels for each measure. Performance is compared to these targets to determine achievement of our objectives. The FDIC's first Business Plan was developed in 1996 for calendar year 1997 and included performance targets for each of the FDIC's program and functional areas in the Strategic Plan. The 1998 Annual Performance Plan will set forth our target levels of performance for the year for each of the eight functions of the three major program areas in the Strategic Plan and include all of the elements required by the Results Act for Annual Performance Plans. We do not expect the performance measures or targets to change significantly over those that are in place in 1997.

The Strategic Plan outlines key external factors that could affect achievement of the FDIC's strategic goals. Examples of external factors are domestic or international economic developments, especially as they relate to the banking industry; the likely actions of Congress and other regulators of financial institutions; and the general business environment in which financial institutions operate.

With regard to program evaluation, the FDIC evaluates its program performance through a Quarterly Performance Reporting process. In May of this year, the FDIC initiated the reporting of our progress toward the performance targets established in the 1997 Business Plan. This report measures the FDIC's progress in meeting 27 performance targets in the FDIC's eight functional areas in the Strategic Plan and is reviewed quarterly by the FDIC's Operating Committee, which is comprised of the Chairman and officers of the Corporation. Beginning in 1998, the Quarterly Performance Report will be presented to the FDIC Board of Directors. This process holds managers accountable for achievement of their goals and provides feedback, which, in turn, allows us to revise goals, objectives and performance measures as appropriate.

The link between planning and budgeting is critical for the success of our planning process. The only programs that are funded through the FDIC budget are those that have been approved in the Strategic Plan or the Annual Performance Plan. Implementation of the Strategic Plan has resulted in cost savings throughout the FDIC since 1995, and those savings are projected to continue.

The FDIC continually consults with various stakeholders regarding our Strategic Plan. We inform these key groups of our strategic planning process and strategic initiatives on an ongoing basis through participation of Board members, Division and Office Directors and senior staff in outreach opportunities, speeches to industry trade groups, and participation in various community/consumer group activities. The Strategic Plan also was presented to and discussed with our Board of Directors at public meetings in April 1995 and April 1997. In addition, we are seeking comments from FDIC-insured institutions and other interested parties through a Financial Institution Letter prior to final approval of the Plan. Finally, the Plan is posted on our Internet site.

As required by the Results Act, the FDIC has been working closely with the other depository institution regulatory agencies to address programs that transcend the jurisdiction of each agency. In this connection, the FDIC is participating in an interagency working group to address and report on issues of mutual concern.

Mr. Chairman and members of the Committee, thank you for the opportunity to discuss the efforts of the Federal Deposit Insurance Corporation (FDIC) to implement the Government Performance and Results Act of 1993 (Results Act). The FDIC strongly supports the Results Act and we are proud of our planning accomplishments over the past several years.

The Results Act applies the principles of sound business management to the Federal government. These principles include setting goals through long-range strategic and annual operating plans, measuring outcomes or results of operations, and comparing operating results to planned performance. Using this information, managers can make informed decisions to improve the effectiveness and efficiency of operations in order to achieve the intended results. As someone with over 30 years of experience in the private sector, I am familiar with the concept of strategic planning and have used it for years.

The FDIC followed business management principles even before the Results Act became effective, including the use of corporate strategic and business plans. We have, however, slightly reformatted our planning and performance measurement initiatives to meet the requirements of the Results Act. The FDIC has drafted a Corporate Strategic Plan and an Annual Performance Plan. We also have developed a performance reporting process to capture the FDIC’s progress in meeting both its strategic goals and objectives and the annual performance goals set forth in the Annual Performance Plan, as well as linkage between the Annual Performance Plan and the budget. My testimony today will cover each of these areas, and the FDIC’s efforts to consult with Congress and our stakeholders such as insured depository institutions and the public regarding our Strategic Plan. In addition, I will discuss our initiatives to address issues common to all of the Federal banking agencies.

FDIC PLANNING AND PERFORMANCE MEASUREMENT INITIATIVES

The FDIC has been using strategic planning and performance measurement principles for years, even prior to the enactment of the Results Act. In the mid-1980s, the FDIC developed a Quarterly Status Report which was provided on a regular basis to the Chairman and all senior FDIC management and reviewed corporate performance in key areas. These reports tracked over time, for example, the timeliness and cost of bank examinations, the cost of collecting on the sale of failed bank assets, and progress in reducing the large volume of legal cases and matters that occurred during the banking crisis.

Beginning in 1990, the FDIC required each division and office to compile a business plan, in conjunction with its budget request, that included goals and measurable objectives. Divisions and offices were required to report quarterly on attaining these objectives. In 1992, the FDIC increased its emphasis on performance measurement. We continued to refine the measures included in our quarterly reports.

Also in 1992, we began developing a strategic planning process. Following the banking crisis of the late 1980s and early 1990s, we undertook a comprehensive planning effort to review our mission. As a result, the FDIC recognized the need to place greater emphasis on identifying, monitoring, and addressing risks in the banking system. The Strategic Plan, first approved by the FDIC Board in April 1995, incorporated this new vision and resulted in a number of key initiatives.

One of these initiatives was the creation of a new Division of Insurance (DOI) to help bridge the gap between the macro perspective of economic, market and industry trends and the micro perspective of bank examinations. The Division’s job is to translate economic and market data into information that examiners can use in institutions with differing levels and types of risk exposures. DOI works closely with our examiners, economists, financial analysts and other FDIC staff, as well as with their counterparts in other regulatory agencies and the private sector, to monitor and address risk in the banking industry. Leveraging our statistical and analytical resources helps examiners focus their efforts, increases the effectiveness of examinations, and allows examiners to stay on site for shorter periods. The DOI analysis also provides a basis for supervisory notices to banks on economic and macro trends that may affect the way they do business.

Another initiative resulting from the 1995 Strategic Plan was the establishment in 1996 of the FDIC’s first Corporate Business Plan. This Plan sets out steps to achieve the goals and objectives of the Strategic Plan. In 1997, we began a quarterly reporting and review process in which the Chairman and senior FDIC management discuss and evaluate performance results. Our efforts to comply with the Results Act -- including the current draft of our Strategic Plan and the 1998 Annual Performance Plan, which we will submit to the Office of Management and Budget (OMB) and the Congress in final form by September 30 in accordance with the Results Act -- incorporate many of these earlier initiatives.

THE FDIC's STRATEGIC PLAN

The attached draft Strategic Plan for 1997-2002 reflects our increasing emphasis on risk management rather than resolving and liquidating failed institutions. The Strategic Plan includes vision, values and mission statements that reflect our commitment to risk management, ensuring the safety and soundness of our banking system, assuring fairness in the provision of financial services, and providing a positive environment for our employees to achieve our mission. The Strategic Plan also includes general goals and objectives for our three major program areas; resource strategies that will assist us in achieving our goals and objectives; measures of performance for each objective; a summary of key external factors affecting achievement of the goals and objectives; and a description of our use of program evaluations. Each of these topics is addressed in more detail below.

VISION, VALUES AND MISSION

The Corporation's vision focuses on the FDIC's role as insurer and emphasizes the importance of proactively identifying existing and emerging risks to the deposit insurance funds. The draft Strategic Plan describes five core values that guide all FDIC operations. These values are effectiveness, responsiveness, teamwork, fairness, and service.

The FDIC's mission statement is included below.

The Federal Deposit Insurance Corporation (FDIC) is the independent deposit insurance agency created by Congress to maintain stability and public confidence in the nation's banking system.

In its unique role as deposit insurer of banks and savings associations, and in cooperation with the other federal and state regulatory agencies, the FDIC promotes the safety and soundness of insured depository institutions and the U.S. financial system by identifying, monitoring, and addressing risks to the deposit insurance funds.

The FDIC promotes public understanding and sound public policies by providing financial and economic information and analysis. It minimizes disruptive effects from the failure of banks and savings associations. It assures fairness in the sale of financial products and the provision of financial services.

The FDIC's long and continuing tradition of public service is supported and sustained by a highly skilled and diverse workforce that responds rapidly and successfully to changes in the financial environment.

GENERAL GOALS AND OBJECTIVES

The Strategic Plan includes goals, objectives and strategies for the FDIC's three major program areas. These program areas are: Insurance; Supervision; and Policy, Regulation and Outreach. Each of these major program areas is composed of several functional areas, described below.

INSURANCE

The Insurance program area comprises three functional areas identified as Risk Assessment; Resolution of Failing Institutions; and Receivership Management. In its role as deposit insurer, it is incumbent upon the FDIC to assess potential risks to the insurance funds and to proactively minimize risk and cost to the insurance funds. In addition, the Corporation must minimize costs to the insurance funds through the orderly and "least costly" resolution of failed or failing institutions, and by effectively managing receivership operations.

One objective of the Insurance program area is to identify and report on current economic, financial and banking developments that affect the performance of insured institutions. As mentioned earlier, the purpose of this objective is to assess potential risks to the deposit insurance funds from a macro perspective and to translate the results of that assessment into information that can be used in the risk assessment of individual institutions. Findings from our safety and soundness on- and off-site supervisory activities also serve as a source of data for discerning macro trends and emerging risks.

In the first quarter of 1997, the FDIC began producing comprehensive reports in each of our regions. These reports which describe key economic, market and banking trends, are distributed to FDIC staff as well as to all insured institutions. We have used the results of these macro risk assessment efforts to prepare congressional testimony, such as our testimony during last year's hearings on the trends in consumer credit and bankruptcy. We also include the results of these risk assessment efforts in our banker outreach programs.

SUPERVISION

The Supervision program area encompasses two functions identified as Risk Management-Safety and Soundness, and Risk Management-Compliance and Enforcement. The Supervision program is the primary way the FDIC fulfills its role of promoting the safety and soundness of insured depository institutions. Together, the FDIC, the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), and state authorities supervise and regulate approximately 9,500 banks and 1,900 savings institutions. The FDIC is the primary Federal supervisor and regulator of approximately 6,300 insured state-chartered banks (including state-chartered savings banks) that are not members of the Federal Reserve System. The FDIC also serves as the back-up enforcement authority for all other insured depository institutions not subject to its primary supervision.

An objective of the Supervision program is to meet safety and soundness examination frequency requirements for all institutions where the FDIC is the primary Federal supervisor. For example, in the first quarter of 1997, the FDIC began 90 percent of the safety and soundness examinations projected for the quarter under our existing Annual Performance Plan. Examinations form the basis for determining the nature and extent of supervisory follow up for an individual institution, including remedial and corrective action where necessary, to curtail excessive risk. Examinations also provide knowledge of emerging issues and risks that may affect industry safety and soundness or raise supervisory policy issues. Such identification allows a supervisory response that is coordinated with the other regulators to ensure a timely and consistent supervisory approach. The Division of Supervision also alerts our Division of Insurance to micro and emerging risks so they can assess any related potential systemic impact.

POLICY, REGULATION AND OUTREACH

The FDIC also implements statutes related to consumer protection, fair lending, and deposit insurance. The Policy, Regulation, and Outreach program comprises three functional areas: Consumer Affairs; Community Affairs and Outreach; and Outreach-Safety and Soundness.

One of the objectives of the Consumer Affairs function is to educate consumers and financial institutions about deposit insurance, the financial system, and consumer protection laws and regulations. Performance measures include the development of education and training materials, and the conduct of outreach and education activities. During the first quarter of 1997, the FDIC developed a video and a new consumer brochure on the purchase of nondeposit investment products from insured institutions. The brochure is being distributed at FDIC-sponsored seminars for bankers and representatives from community-based organizations being held across the country. In the first quarter of this year, these 35 banker outreach and education seminars attracted over 3,600 attendees.

RESOURCE STRATEGIES

Our draft Strategic Plan addresses the resource strategies that will assist the FDIC in meeting its goals and objectives. In the staffing area, the FDIC is continuing to transfer staff from the failing institution resolution and liquidation areas into risk assessment, supervision, and compliance, in accordance with our increased emphasis on risk management. We also are pursuing technological initiatives that will improve examiners' ability to evaluate the financial condition of institutions and their compliance with fair lending and other laws. For example, the ALERT system recently was implemented and enables examiners to import a bank's loan- portfolio information into a laptop computer for analysis and presentation much more quickly than manual methods. The GENESYS system, currently in the final testing stage, will allow examiners to analyze pertinent exam information and streamline the development and delivery of the Report of Examination. Similarly, the ACES system will enable compliance examiners to obtain bank-loan and deposit data from an institution in electronic format and will provide tools to help examiners analyze exam information.

PERFORMANCE MEASURES

The Strategic Plan includes annual performance measures that tie to the Plan's long-term goals and objectives. While the Strategic Plan describes measures in general terms, the FDIC's Annual Performance Plan specifies annual performance goals or target levels for each measure. Actual performance is compared to these targets to determine achievement of our objectives.

A number of the FDIC's performance measures are output measures rather than outcome measures. In the areas of bank supervision and deposit insurance, many external factors other than the actions we take as regulator, supervisor and insurer, have an impact on both the safety and soundness of depository institutions and the federal deposit insurance funds. As discussed below, these factors include market and technological innovations, and domestic and international economic developments. We believe that the actions we take as regulator, supervisor and insurer do have a significant impact on the overall financial condition of institutions, the deposit insurance funds, and the safety and soundness of the banking system. It is difficult, however, to establish a measurement that directly links the FDIC's program outputs to the outcome of a stable banking system. Nevertheless, we are committed to continued re-evaluation of the FDIC's goals and performance measures to make them more outcome related, consistent with the Results Act.

KEY EXTERNAL FACTORS

The key external factors that could affect achievement of our strategic goals are outlined in the Strategic Plan. Examples of external factors are developments in the U.S. and international economies, especially as they relate to the banking industry; the likely actions of Congress and other regulators of financial institutions; and the general business environment in which financial institutions operate. Examples of specific current factors that could affect achievement of our goals include the pace and characteristics of institution merger activity; the potential for a significant economic downturn in an industry historically reliant on bank financing; significant changes in the spending and/or savings of U.S. consumers; a possible series of natural disasters concentrated in one geographic area; or the impact on the banking industry of the introduction of a new technology. We review these factors quarterly, analyze workload assumptions, and measure performance. To the extent that these factors can be forecast, we currently do not anticipate adverse developments in any of these areas.

PROGRAM EVALUATION

The FDIC evaluates its program performance through a Quarterly Performance Reporting process. Using this process, we compare our performance with the targets set forth in the Annual Performance Plan. This process, which we implemented in May 1997, holds managers accountable for achievement of their goals and provides feedback, which, in turn, allows us to revise goals, objectives and performance measures as appropriate.

In addition to these quarterly reviews, we perform ongoing program analysis using a variety of evaluative tools, including General Accounting Office and Inspector General report findings. We also consult with our stakeholders to generate feedback on our programs. For example, we have an outreach program through which senior FDIC executives meet with bankers across the country on a regular basis to explain FDIC programs and initiatives and to elicit comments and suggestions regarding FDIC supervisory and regulatory programs.

DEVELOPMENT OF FDIC's ANNUAL PERFORMANCE PLAN

The goals and objectives expressed in the Strategic Plan are achieved through the FDIC's Annual Performance Plan (which we referred to in prior years as our Corporate Business Plan). As mentioned above, the FDIC's first Business Plan was developed in 1996 for calendar year 1997 and included performance targets for each of the FDIC's program and functional areas in the Strategic Plan. The 1997 Plan was developed primarily by program managers and staff knowledgeable about their operations, in consultation with experts in our business planning office. As a result of their early involvement in this process, managers are committed to the planning and evaluation process and appreciate increased senior management attention to their performance goals and operating results. We also believe that measuring performance and costs along program lines, rather than by organizational lines, is promoting increased teamwork and operational efficiencies.

We began developing our calendar year 1998 Annual Performance Plan in June 1997. Staff at all levels of the Corporation are involved in development of our 1998 plan. The Annual Performance Plan will set forth our target levels of performance for the year for each of the eight functions of the three major program areas in the Strategic Plan and include all of the elements required by the Results Act for Annual Performance Plans. We do not expect the performance measures or targets to change significantly over those that are in place in 1997.

DEVELOPMENT OF FDIC'S PERFORMANCE REPORTING PROCESS

In May of this year, the FDIC initiated the quarterly reporting of our progress toward the performance targets established in our 1997 Business Plan. This comprehensive report measures progress in meeting 27 performance targets in the FDIC's eight functional areas in the Strategic Plan and is reviewed quarterly by the FDIC's Operating Committee, comprised of the Chairman and officers of the Corporation. Beginning in 1998, the Quarterly Performance Report will be presented to the FDIC Board of Directors.

This quarterly review provides an opportunity to validate planning assumptions and management approaches. In cases where performance may not have met the objectives of the Annual Performance Plan, we assess whether planning assumptions were valid and whether management should make changes, as appropriate, to address performance gaps. For example, the Chief Operating Officer requested at the most recent performance review that our Division of Insurance replace its goal of producing risk assessment reports with the goal of evaluating the effectiveness of the reports in the risk assessment process. We plan to continue this quarterly performance monitoring for the 1998 Annual Performance Plan.

The FDIC has not encountered significant difficulties in collecting data to measure performance results, in part because a number of our current measures capture program outputs rather than outcomes. As mentioned above, we have been measuring performance in various areas of the Corporation since the mid-1980s. In many cases, the data used to meet Results Act requirements already are used on a regular basis by FDIC managers in the course of managing their operations, and the reliability of this data is tested periodically through internal control reviews and Inspector General audits. The difficulty we have experienced, as mentioned above, is in linking our outputs to broader outcomes affecting the condition of the banking industry. Many of these links can be identified only through qualitative rather than quantitative means. As we continue to refine our goals, objectives and performance measures to make them more outcome or results oriented, we will continue to seek and evaluate appropriate sources of data and ensure their reliability.

THE LINK BETWEEN THE STRATEGIC PLAN AND THE BUDGET

The FDIC has considered several important factors in developing our current draft Strategic Plan. Most importantly, the only programs that are funded through the FDIC budget are those that have been approved in the Strategic Plan or the Annual Performance Plan. Developing a performance-based Plan has required that we budget along program lines. In addition, we are in the process of developing an automated "Business Planning System" that will more directly and efficiently tie our budgeting efforts to our business planning and performance reporting needs as required by the Results Act. The link between planning and budgeting is critical to the successful implementation of our planning process. This link was in place during the development of our 1997 budget, although in a much less automated form.

Implementation of the Strategic Plan has resulted in cost savings throughout the FDIC since 1995, and those savings are projected to continue. For example, the Corporate downsizing effort, a key strategic initiative over the past two years, was accomplished largely through two buyout programs which are projected to result in net savings of $133.1 million. In addition, the FDIC is in the process of analyzing the estimated cost savings associated with other corporate initiatives. Most notably, the FDIC expects to realize significant savings as a result of the implementation of a Financial Information Management System that either eliminated or consolidated over 100 separate systems and processes, including systems of the Resolution Trust Corporation, into a single financial system environment. The FDIC is now one of the few large government agencies to have implemented a single general ledger and chart of accounts for its financial record keeping and reporting, and we anticipate that these changes will provide improvements in how data is captured and processed, as well as timeliness of reporting.

FDIC CONSULTATION WITH STAKEHOLDERS AND CONGRESS

The FDIC continually consults with various stakeholders regarding our Strategic Plan. Our stakeholders include the public, banking and thrift industries, community/consumer organizations, and FDIC employees. We inform these key groups of our strategic planning process and strategic initiatives on an ongoing basis through participation of Board members, Division and Office Directors and senior staff in outreach opportunities, speeches to industry trade groups, and participation in various community/consumer group activities. The Board of Directors and senior officials of the Corporation bring the perspectives gained from these various activities to the planning process. In addition, our Strategic Plan was presented to and discussed with our Board of Directors at public meetings in April 1995 and April 1997. Such open meetings provide the public with an opportunity to hear strategic issues being discussed before the Board. We also plan to seek comments from FDIC-insured institutions and other interested parties through a Financial Institution Letter prior to final approval of the Plan. Finally, the Plan is posted on our Internet site.

With respect to consultation with the Congress on our Strategic Plan, the FDIC has regularly appeared before Congressional committees and answered written requests to discuss issues relating to our strategic initiatives. We also have met several times recently with Congressional staff concerning the FDIC’s compliance with the Results Act, and these sessions have been helpful.

INITIATIVES ADDRESSING INTERAGENCY ISSUES

As required by the Results Act, the FDIC has been working closely with the other depository institution regulatory agencies (OTS, OCC, FRB, National Credit Union Administration) to address programs that transcend the jurisdiction of each agency. In this connection, the FDIC recently hosted a meeting of the Chief Financial Officers of the five depository institution regulatory agencies, which resulted in the creation of an interagency working group to address and report on issues of mutual concern. These five agencies also meet on an ongoing basis under the auspices of the Federal Financial Institutions Examination Council (FFIEC) to discuss and coordinate programs that affect all of the agencies.

The interagency working group had its first meeting in June of this year, and established various subgroups to work on issues related to those general goals and objectives that cross agency functions, programs, and activities. While the missions and programs of the agencies appear similar with respect to ensuring the safety and soundness of the institutions we regulate, each agency has responsibilities for different groups of institutions. For example, the FDIC has a unique role as deposit insurer of banks and thrifts. We anticipate that the working group will meet formally on a monthly basis through September to develop recommendations on how the activities of the agencies with similar programs will be coordinated among the various agency Strategic Plans. The working group will continue to meet as appropriate after coordinating its efforts for the September 30 submission of the Strategic Plans to the Office of Management and Budget and the Congress.

CONCLUSION

In conclusion, I am pleased to report that the FDIC not only is well positioned to meet the statutory requirements of the Results Act, but has implemented strategic planning and performance measurement well in advance of the statutory timetable. We have a draft long- range Strategic Plan and work is well underway on development of our 1998 Annual Performance Plan. We have developed a performance reporting process that provides for the quarterly review of planning assumptions and performance results at the highest level of the Corporation. Finally, we have developed a link between the planning process and the budget, in that we only budget for initiatives that are in the Strategic or Annual Performance Plan. We consult regularly with our major stakeholders, as well as Congress, and coordinate efforts with the other banking agencies.

The FDIC believes that our planning and budgeting processes have significantly strengthened the management and operations of the Corporation, in addition to providing substantial cost savings. We look forward to continuing to achieve such results over the next several years.

Mr. Chairman, that concludes my testimony. I would be happy to respond to any questions.

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