**Remarks Prepared**
**For**
**Delivery by FDIC**
**Chairman Don Powell**
**National Bankers Association 77th Annual Convention**
**Nashville, Tennessee**

FOR IMMEDIATE RELEASE
PR-104-2004 (10-6-2004)

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Good morning. I'm very happy to be here today. It's great to see so many friends and familiar faces. I want to thank you for this opportunity to continue our dialogue—a dialogue that has been very beneficial to me over the years.

It's terrific to be here in Nashville—and on such a great fall day. I always find this time of year to be energizing. Everyone is gearing up—kids are back in school, college students are hitting the books, parents are chauffeuring their children here and there. For families, it's a perfect time to focus on priorities.

For bankers like you and for regulators like me—it's a great time to get serious and discuss those issues that matter to the future of the industry.

I want to focus on three areas this morning. First, the overall health and economic success of the financial services industry. Second, the important issue of consumer access to credit. And third, the equally important issue of consumer protection.

First, let's look at the industry. I have spent the greater part of my life in banking—and I have to say that I have never seen the industry in better shape than it is today. For those of you who survived the near-death experience of the late 1980s and the early 1990s, as I did, the period we've lived in for the past decade is nothing short of a golden age of banking.

Just about everywhere you look—from profits to credit quality to the small number of failures—the news is good. Even in the past few years, the industry's performance and overall health has been incredibly strong.

Let's look at one of those good news items: capital levels and asset growth. Equity capital rose from 8.72 percent of assets in June 2001 to 9.50 percent at the end of June 2004. In fact, the average equity-to-assets ratio is at the highest level in more than two decades. The banking industry is showing continued strength and remains well positioned for future growth. For example, in mid-2001, deposits at FDIC-insured institutions totaled $7.6 trillion in assets—now these institutions hold $9.6 trillion in assets.

Another good news item is the FDIC insurance funds. In mid 2001, those funds were at just $42.5 billion—now they are at $46.5 billion. Both insurance funds exceed the target reserve ratio of 1.25 percent. The Bank Insurance Fund is at 1.31 percent, and the Savings Association Insurance Fund is at 1.34 percent.

Credit quality is also excellent. Although the noncurrent loan rate increased during the recession, it is now at 0.89 percent, a 20-year low. Net chargeoffs have gone from .72 percent to .58 percent during the last three years.

New bank charters continue to be part of the picture. The industry continues to consolidate, having gone from 9,702 insured institutions in September of 2001 to 9,079 at the end of last June. Still, even amidst this consolidation trend, 343 new institutions have been created. This underscores the continuing dynamic nature of the industry.

Profitability remains strong. The return on assets for the industry is now 1.31 percent, compared to 1.18 percent three years ago. Amazingly, the industry has set records for profitability in eight of the past 13 quarters.

Failures remain few and far between. In spite of a patch of economic weakness from 2001 to 2004, we have seen only 20 closing or assistance transactions during that time. Problem institutions rose after the recession from 102 in mid 2001 to 146 in the third quarter of 2002. Now, however, this group's numbers are again at 102. Assets of problem institutions today are half of what they were in 2002—down to $25.9 billion from $51.7 billion.

The industry pulled through the recession with surprising strength. Bank performance held up well in spite of economic weakness. Even though commercial and industrial loan volumes suffered declines after the recession, these loans rose by $17 billion in the second quarter of this year. The quarterly net charge-offs on C&I loans declined from a peak of $6.1 billion for the fourth quarter of 2001 to just $1.4 billion in the second quarter of 2004.

That's not all the good news. Since mid 2001, the number of minority-owned banks and thrifts has increased from 150 institutions with combined assets of $46 billion to 171 institutions with total assets of $122 billion. During that time, the number of deposit accounts in FDIC-insured institutions increased by 5.7 million accounts (1.4 percent).

Also, the amount of loans to small businesses and farms has grown by more than 12 percent (or $69 billion), while the number of loans to small businesses and farms has increased by almost 17 percent (or 2.7 million loans).

Taken together, all of these indicators add up to a very favorable picture of the banking industry going forward. We are extremely fortunate to have reached this juncture. The industry's strength today, if carefully tended, will provide the foundation for future innovation and growth.

We should not take this period—and its benefits—for granted. All of us know that things can change—and quickly. At this juncture, when banking profitability is high and the future looks bright, and when our attention is not distracted by the problems we experienced in the past—we should do everything we can to welcome more people into the banking mainstream. We should seize the day and make sure that more consumers have access to credit and banking services.

I'm proud of the FDIC's efforts to reach out to people throughout this country who have not used banking services. Our Money Smart financial education curriculum is well-known and gaining in popularity every day. Since we introduced Money Smart in 2001, this user-friendly educational tool has reached more than 300,000 consumers and resulted in the creation of about 40,000 banking relationships. We have established hundreds of partnerships with financial institutions, non-profit organizations, government agencies and others to reach a broad audience and leverage resources. We're proud to have the NBA as our partner.

In September, we unveiled the latest version of Money Smart—a Computer Based Instruction, or CBI, version that enables users to take Money Smart with them in a CD-ROM, or to access it on the FDIC's Web site. With the CBI version, we intend to reach a far wider audience than before. As always, Money Smart can be taught in the classroom—but now people can also use it to learn on their own—at home, at the library, or at the local community center. Even better, the CBI version is available in English and Spanish. Since its introduction, Money Smart CBI has been moving like hotcakes. So far, we have distributed more than 7,200 copies. I hope you will consider making Money Smart CBI available at your institution. It's definitely a winner.

But we're not resting on our laurels. This year, we're considering expanding an initiative called the New Alliance Task Force to welcome more people to the banking mainstream. Under this pilot program, which is located in Chicago, the FDIC, the Mexican Consulate, more than 63 banks, credit unions, community organizations and government agencies have come together to form this New Alliance Task Force. The Task Force is an incubator for innovation and new products. One of its efforts is reaching out to persons who send money in the form of remittances to other countries, especially Mexico and countries in Central and South America. A large number of those remittance senders are unbanked, offering a tremendous business opportunity to attract new customers through efficient remittance services. About 15 of the 34 banks in the Task Force are now offering products with these features. As with any new program, there are areas banks must consider before implementation. With this initiative, we plan to also compile the various combinations of controls banks have initiated to limit the legal, compliance and operational risks associated with offering remittance products.

Bankers who comprise the Task Force also developed a new mortgage product intended for use by potential homeowners who pay taxes using Individual Tax Identification Numbers. The new product enables a bank to consider alternative credit information, such as references from a landlord, a parish priest or a minister; and phone or utility bills. The product also includes incentives or requirements for potential

borrowers to participate in homebuyer education programs. The banks participating in this effort are reporting excellent performance, with a zero late payments rate and no defaults.

We've seen positive results from this pilot program. Since its inception in May 2003, the initiative has resulted in 50,000 new bank accounts, or $100 million in deposits, with an average account balance of $2,000. That's an impressive record thus far, and we want to determine if it's feasible to expand this program to other parts of the country.

Another way to broaden access to credit is to ensure that banks are able to offer programs that can make a difference. In August, the FDIC published for comment a proposal to amend the regulations that implement the Community Reinvestment Act. This proposal would not in any way exempt financial institutions from their CRA obligations—all banks, regardless of size, will be thoroughly evaluated. I believe that lending for community development is the right thing to do—from a human perspective and a business perspective. We have extended the comment period for this proposal to October 20 and encourage you to share your thoughts with us.

Our other efforts include helping minority and community development banks. As you know, in September we hosted a Community Development Conference to provide resources, guidance and assistance to more than 50 minority and community development banks, as well as industrial loan companies. I believe our conference was a great success, thanks to people like the NBA representatives and members, who played leadership roles.

The steps I have described represent our latest efforts to open doors for consumers. Their access to credit is critical if we are to enjoy a financial services industry that serves as many people as possible. In today's healthy banking environment, access to credit is seeing some favorable trends. The percentage of households without a bank account decreased from 15 percent in 1989 to nine percent in 2001, according to the Federal Reserve's last Survey of Consumer Finance. Still, nine percent is not a number we should be satisfied with. Obtaining a bank account is just a first step in many people's ability to build assets and achieve wealth. We can do better, and we will.

In order to encourage more consumers into the banking mainstream, we must ensure they enjoy adequate protection. So let me turn to my third and final topic for this morning—protecting consumers.

I want to begin by emphasizing the FDIC's commitment to consumer protection. That commitment is steadfast and unshakeable. We will never compromise one of our fundamental objectives: protecting American consumers.

To help ensure that we are on the job, we have placed a fair-lending expert in each of our six regional offices in New York, Atlanta, Chicago, Dallas, Kansas City and San Francisco. These fair-lending experts advise our examiners on complex examination

issues. They also assist in the investigation of fair housing complaints and provide educational services to banks. So far, this program appears to be quite effective.

The FDIC is also protecting the accuracy, integrity and safety of consumers' financial information by implementing privacy regulations and issuing regulations under the FACT Act. We will soon conduct consumer testing to help determine how to enhance the utility of privacy notices. We are also informing consumers about identity theft and electronic scams, such as the recent phishing scams.

We have also taken action to protect against abuses associated with payday lending. In July of last year, we issued tough guidelines on payday lending that clearly set out the compliance and safety and soundness risks of the product, and our expectations regarding our supervision of the product. Payday lending is a product marketed to meet the need for short-term, small denomination credit—and we recognize the legitimacy of that need. But we also recognize the risks of payday lending as well as its potential for abuses. The guidance makes it clear that there is—and there will be--no tolerance for those engaged in any abusive, unfair or deceptive lending practices. Our record is consistent with our guidance and we will continue to hold banks accountable for such practices.

Consumer protection is as important to us as it is to you. In today's fast-changing banking environment, there is one thing we must not and will not change—and that is our commitment to protecting consumers. However, by anticipating and responding appropriately to the changes that come along, we stand a much better chance of making sure that consumers have both the access to banking services and the safeguards they need.

In closing, I'd like to say that we have a great future ahead of us. The industry is strong. The indicators that we all pay close attention to are positive. Bankers, regulators and other organizations are forging dynamic partnerships and alliances to bring more people into the banking mainstream. And regulators like the FDIC are keeping close watch on the consumer protections that, along with safety and soundness, are so essential to creating a favorable banking environment. All of these components can work together to create a banking industry that will be better—and more inclusive—than anything we have seen up to now.

Thank you.

Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. The FDIC insures deposits at the nation's 9,079 banks and savings associations and it promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars - insured financial institutions fund its operations.

FDIC press releases and other information are available on the Internet via the World Wide Web at www.fdic.gov and may also be obtained through the FDIC's Public Information Center (800-276-6003 or (703) 562-2200).

Last Updated 10/06/2004