



NEWS RELEASE

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FDIC APPROVES \$518 MILLION BUDGET FOR SUPERVISION, REGULATION AND INSURANCE FUNCTIONS IN 1993

The FDIC Board of Directors today approved a \$518 million budget for supervision, regulation and deposit insurance functions in 1993. This "core" budget is for salaries, facilities, travel and other expenses from examining banks and thrifts, enforcing banking laws and insuring deposits.

The deposit insurance functions are related to the agency's management of the Bank Insurance Fund (BIF), Savings Association Insurance Fund (SAIF) and the FSLIC Resolution Fund (FRF), as well as a few reimbursable activities in support of the Resolution Trust Corporation (RTC). The FDIC's 1993 budget of \$518 million projects that these management costs will be about \$447 million for BIF, \$51 million for SAIF and \$20 million for FRF.

The \$518 million core budget for 1993 represents an increase over the projected expenses of \$407 million in 1992. The principal reason for the increase is the FDIC's plan to hire approximately 270 additional examiners in 1993, mostly to monitor institution compliance with consumer protection laws and other special areas of the law, as well as other related personnel and administrative costs.

Separate from this core budget are the FDIC's projected gross expenses from liquidating the assets of failed bank and thrifts. The FDIC projects that these gross expenses will be about \$3 billion for institutions that have failed or will fail by year-end 1993. However, these expense levels are reduced by the FDIC's recoveries on asset sales, operating income and other sources, so the actual costs of failed bank liquidations, which are yet to be

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determined, are likely to be much lower. The core budget of \$518 million and the projected gross expenses of \$3 billion in 1993 compare to \$407 million and \$1.9 billion, respectively, in 1992.

FDIC Chairman Andrew C. Hove, Jr., said today: "The major growth in the FDIC's budget has been and continues to be the cost of liquidating failed banks and thrifts. That cost is difficult to predict in advance with great accuracy. In fact, our total budget for 1993 was based on a potential workload resulting from future bank and thrift failures with a combined \$80 billion in assets. We are becoming cautiously optimistic that failures of this magnitude will not be realized and that our budget will be downsized accordingly."

Mr. Hove also stressed that liquidation costs are presented in the budget as gross expenses but are almost completely recoverable. He added that the FDIC has established strict administrative controls to ensure that staffing and spending are appropriate for the level of workload realized.

One major change in the overall 1993 budget is a 51 percent increase in the amount for "outside services" such as private firms that assist in liquidating failed institution assets and in performing associated legal work. The total budget for outside services in 1993 is \$1.2 billion, an increase of \$402 million over 1992. Also, salaries and benefits in 1993 are projected to increase 29 percent (to \$990 million) primarily to fund 2,356 new positions in the liquidation and liquidation-related legal support areas. Most of these new positions are temporary in order to allow the FDIC to reduce staffing levels in the future as workload drops.

A more detailed description of the FDIC's 1993 budget is available on request from the agency's Office of Corporate Communications.