FEDERAL DEPOSIT INSURANCE CORPORATION

2000 Annual Performance Plan

TABLE OF CONTENTS

CHAIRMAN'S MESSAGE

I am pleased to present the Federal Deposit Insurance Corporation's 2000 Annual Performance Plan.

The Plan defines what will be accomplished during the coming year in support of the Corporation's strategic goals and objectives, which center on FDIC's role in maintaining stability and public confidence in the nation's banking system. The Plan helps to assure the Corporation's continued success in insuring deposits, promoting the safety and soundness of insured institutions, protecting consumer rights, assessing community investment and managing receiverships.

In meeting our responsibilities in the Year 2000, the FDIC will focus on a number of priorities:

The first will be the safety and soundness of the banks we supervise and insure. Although the economy is strong and bank profits are high, the level of risk in the industry is rising. To address these risks and to minimize exposure to loss, the FDIC will strengthen its key insurance and risk assessment functions.

A second area of emphasis will be consumer protection, and, in particular, fair lending, privacy and community reinvestment. Rapid changes in the industry pose new risks for financial institutions in diverse areas. Public education and the enforcement of fair lending and consumer disclosure laws through examinations will address the emergence of predatory lending, often targeting elderly and minority borrowers. New regulations and examination authority will afford greater privacy protections. Community outreach, examinations and new regulatory guidance will improve our ability to assess the activities of banks to meet the credit needs in their local communities, including low- and moderate-income neighborhoods.

Third, forces that are likely to profoundly change the financial services industry are clearly at work. These forces include industry consolidation, financial modernization legislation, globalization and technological innovation. The FDIC must plan for the near and long term effects of these forces.

Fourth, the FDIC will constantly strive to increase its efficiency and productivity, just as the banking industry does. In that regard, the FDIC will continue to reduce unnecessary burden. It will also encourage managers and supervisors to recognize the critical new demands of our diverse American workforce, so that we can tap all the talent and potential our employees have to offer.

Fifth, the FDIC will work to improve the effectiveness of its international efforts. Deposit insurance is critical to the stability of the financial system. Because we are the world's preeminent deposit insurance authority, other nations often ask us for technical advice. We will look for more effective and efficient ways to respond – and we will also look for appropriate forums in which to stress the critical role that deposit insurance plays in maintaining public confidence, a role that promotes and contributes to the stability of the global financial system.

Finally, the FDIC is proud to report that we accomplished all of our 1999 Annual Performance Plan goals including those goals related to the preparation of the financial industry and the public for Y2K. These preparations were essential to maintaining stability and public confidence in the financial industry through the threat of Y2K. The FDIC's Year 2000 Annual Performance Plan describes the steps we will take in the coming year to address our priorities. I urge anyone with an interest in the Corporation or in the American banking system to read our Plan for the future.

FDIC's
MISSION, VISION AND VALUES

Mission The FDIC, an independent agency created by Congress, contributes to stability and public confidence in the nation's financial system by insuring deposits, examining and supervising financial institutions and managing receiverships.

Vision To assure that the FDIC is an organization dedicated to identifying and addressing existing and emerging risks in order to promote stability and public confidence in the nation's financial system.

Values The FDIC has identified six core values that illustrate the principles that should guide our corporate operations. The values reflect the ideals we expect all of our employees to strive for as they accomplish the tasks needed to fulfill our mission.

Effectiveness. The FDIC's reputation rests on its professionalism, its adherence to the highest ethical standards and its skilled and dedicated workforce.

Responsiveness. The FDIC responds rapidly, innovatively and effectively to risks to the financial system. It works effectively with other federal and state supervisors to achieve consistency in policy and regulation. It seeks and considers information from the Congress, the financial industry, individuals seeking and receiving financial services and others outside the FDIC in the development of policy. In the development and execution of these policies, the FDIC seeks to minimize regulatory burden while fulfilling the FDIC's statutory responsibilities.

Teamwork. The FDIC promotes and reinforces a corporate perspective and challenges its employees to work cooperatively across internal and external organizational boundaries.

Fairness. The FDIC treats everyone with whom it deals fairly and equally. It exercises its responsibilities with care and impartiality. It promotes a work environment that is free of discrimination and that values diversity. The FDIC adheres to equal opportunity standards.

Service. 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.

Integrity. The FDIC performs its work with the highest sense of integrity. Integrity requires the FDIC to be, among other things, honest and fair. It can accommodate the honest difference of opinion; it cannot accommodate the compromise of principle. Integrity is measured in terms of what is right and just, standards to which the FDIC is committed.

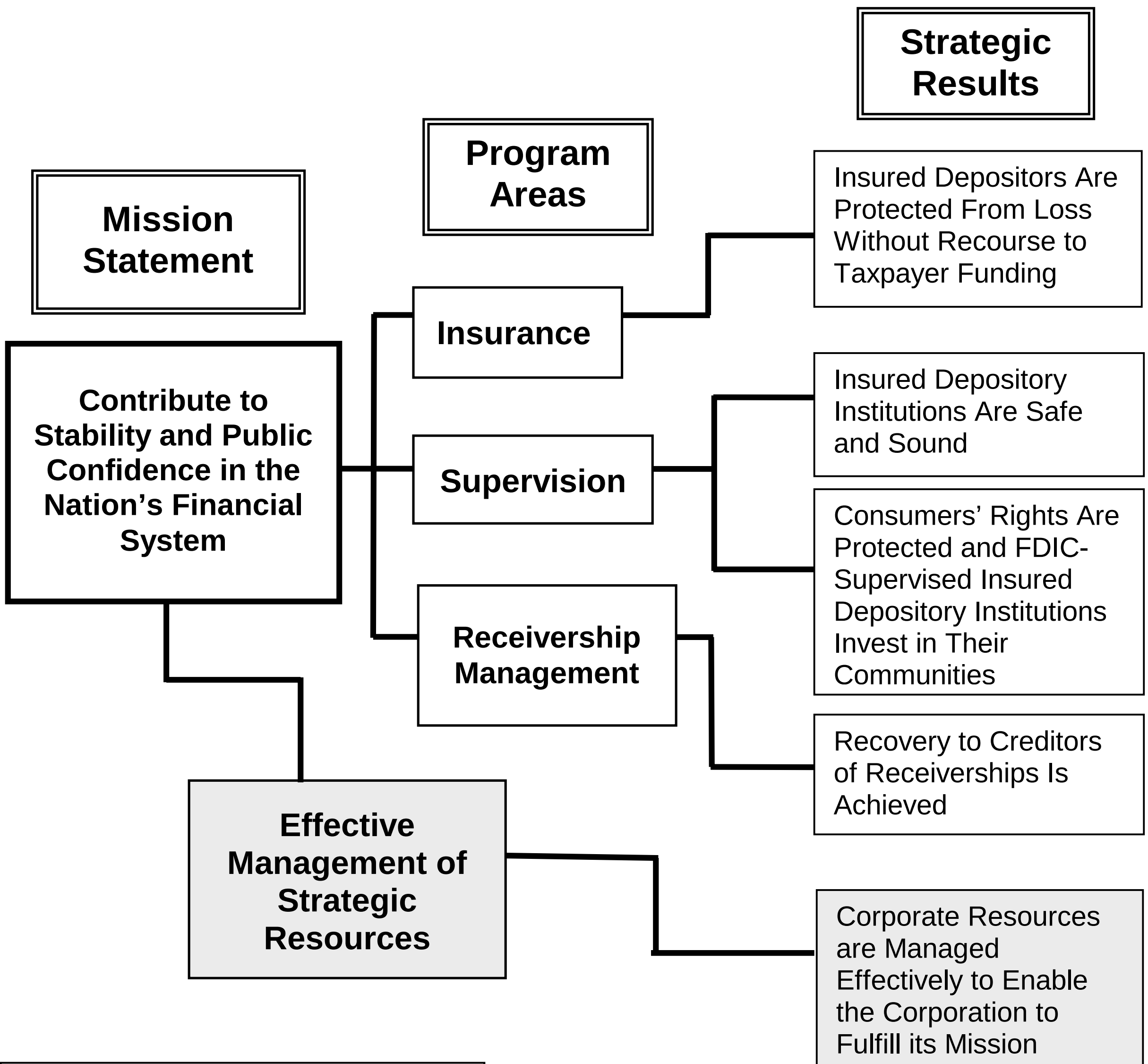
FDIC's MAJOR PROGRAM AREAS

Insurance

Supervision

Receivership Management

The following diagram represents the FDIC's major program areas and the associated strategic results that the FDIC is striving to achieve.



Note: The Mission Statement shown above is an abbreviated form of the FDIC's official Mission Statement.

INSURANCE PROGRAM

Program Description

The FDIC was established to insure bank and savings association deposits. This role of insurer helps ensure the stability of the financial system by guaranteeing the timely funding of insured deposits and the consequent faith in the U.S. banking system in times of stress. In executing the Insurance Program, the FDIC continually evaluates how changes in the economy, the financial markets and the banking system affect the adequacy and the viability of the deposit insurance funds. In addition, the FDIC contributes to U.S. leadership on global deposit insurance issues to support international financial stability.

The FDIC fulfills this role as insurer when a bank or savings association fails by paying insured depositors with either direct payment or arranging for the transfer of the insured deposits to an assuming institution. Promoting industry and consumer awareness also helps the FDIC protect depositors at banks and savings associations of all sizes. The FDIC reviews whether insured depository institutions make accurate disclosures regarding insured and uninsured products. The FDIC makes deposit insurance information available to the industry and consumers through various media, including the Internet, pamphlets, educational material and training.

To protect the viability of the deposit insurance funds, the FDIC identifies risks to insured depository institutions and institution applicants for deposit insurance. The FDIC analyzes domestic and international economic, financial and banking developments and communicates pertinent information to the industry and its supervisors. The FDIC monitors insured institutions' efforts to appropriately manage risks through on-site examinations and off-site reviews. Off-site reviews are also an integral part of the Supervision Program where they are used to facilitate pre-examination planning and to determine if examinations are needed outside of the regular schedule. As such, the annual performance goal related to off-site reviews, which has historically been reflected in the Supervision Program, has been moved to the Insurance Program.

As the insurer, the FDIC, by statute, has back-up supervisory authority for all insured depository institutions. Should the FDIC identify significant emerging risks or have serious concerns relative to any of these non-FDIC supervised insured depository institutions, the FDIC and the institution's primary federal supervisor[1] work in conjunction to resolve them. These cooperative efforts may include the FDIC's performing or participating in the safety and soundness examination of the institution with the concurrence of the institution's primary federal supervisor or the FDIC Board of Directors.

The FDIC maintains sufficient deposit insurance fund balances by collecting risk-based insurance premiums from insured depository institutions and through prudent fund investment strategies. The FDIC promotes financial stability by exercising leadership in deposit insurance outreach efforts for insured institutions, the other federal banking agencies and other industry experts. The FDIC provides financial data on insured depository institutions to the public through publications, publicly available automated systems, the Internet and through other media.

In 2000, the FDIC will pursue annual performance goals that will contribute to the achievement of the strategic goals and objectives. Specifically, the FDIC will focus on:

- Paying insured deposits within three days at failed institutions
- Identifying, monitoring and addressing risks
- Resolving or referring all supervisory concerns noted during off-site reviews of insured depository institutions for examination or other supervisory action
- Ensuring assessment rate schedules and risk classifications correspond with relative risk rankings
- Identifying increases in insurance fund exposures
- Effectively conducting deposit insurance outreach nationwide
- Assessing how the FDIC can best contribute to U.S. leadership on global deposit insurance issues

[1] The terms “primary federal supervisor” and “federal banking agencies” are synonymous and include, along with the FDIC, the following federal agencies: the Board of Governors of the Federal System (FRB), the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS).

Resource Requirements

Below are the budgeted dollars (in millions) aggregated by strategic goal within the Insurance Program. The inclusion of budgeted dollars reflects the level of FDIC funding dedicated to the achievement of the strategic goals and includes, but is not limited to, the amount of resources required to achieve the annual performance goals within the Insurance Program.

Strategic Goal – Customers of failed insured depository institutions have timely access to insured funds and services.	**$44.2**
Strategic Goal – Deposit insurance funds remain viable.	**74.0**
Strategic Goal – Consumers know what funds are insured.	**8.2**
Strategic Goal – U.S. leadership on deposit insurance is provided to ensure support for international financial stability.	**2.0**
TOTAL for Insurance Program	**$128.4**

Insurance Program

Strategic Result, Strategic Goals and 2000 Annual Performance Goals

Strategic Result	Strategic Goals	2000 Annual Performance Goals
Insured depositors are protected from loss without recourse to taxpayer funding	Customers of failed insured depository institutions have timely access to insured funds and services	Insured deposits are transferred to successor insured depository institution or depository payouts are begun within three days of institution failure
	Deposit insurance funds remain viable	Economic trends and emerging risks in banking are identified, monitored and addressed appropriately 100% of supervisory concerns noted during off-site reviews of insured depository institutions are resolved without further action or are referred for examination or other supervisory action Assessment rate schedules and risk classifications correspond with relative risk rankings of insured depository institutions, subject to statutory constraints Any significant increases in insurance fund exposures are identified
	Consumers know what funds are insured	Effectively conduct deposit insurance outreach nationwide
	U.S. leadership on deposit insurance is provided to ensure support for international financial stability	Assess how the FDIC can best contribute to U.S. leadership on global deposit insurance issues through 1) technical assistance, 2) research and scholarship and 3) enhanced coordination and communication

Strategic Goal Customers of failed insured depository institutions have timely access to insured funds and services.

Annual Performance Goal Insured deposits are transferred to successor insured depository institution or depositor payouts are begun within three days of institution failure.

Indicator and Target Number of days from insured depository institution failure that customers have access to their deposits.

- Three days.

Background While current law provides that the FDIC must payout insured deposits "as soon as possible," the FDIC has set a goal of three days. The three-day measurement is based on the FDIC's usual closing scenario in which the failed insured depository institution is closed on a Friday and the depositors of the failed institution have access to their accounts on the following Monday.

Means and Strategies

Closings Business Process (51) *Operational Processes (initiatives and strategies):* When an insured institution is identified as a potential failure, the FDIC prepares a plan to handle the possible resolution and closing of the institution in the event the chartering authority chooses to close the institution.

The FDIC will solicit proposals from approved bidders in an attempt to transfer the insured funds of the failed insured depository institution to an assuming institution. Once the chartering authority chooses to close the institution, the FDIC takes control of the failed institution, including the facilities and records, and conducts a reconciliation of the financial records. The FDIC works with the assuming institution so that the deposit accounts are transferred to the assuming institution within three days of failure. If no assuming institution is found during the resolution process the FDIC moves quickly at closing to determine which deposits are insured and uninsured. Disbursements are then made for the insured amount in each account to customers of the failed insured depository institution.

Technology: The recently implemented Receivership Liability System (RLS) provides for new functionality in processing receivership liabilities and will assist the FDIC in continuing to provide customers with timely access to their insured funds. The FDIC will continue to maintain and refine RLS as necessary.

Strategic and Contingency Planning for Failures Business Process (52)

Operational Processes (initiatives and strategies): The FDIC continuously develops, refines and implements its resolution strategies and procedures to ensure that customers of failed insured depository institutions have timely access to insured funds and financial services. The FDIC looks for ways to improve the resolution process in planning for future and external developments. The FDIC will continue to review and revise its Closing Manual to reflect current strategies and procedures.

The FDIC will continue to develop, refine and implement its contingency plan for managing and resolving a very large complex financial institution. The FDIC currently has an interdivisional task force working to identify the significant issues that arise from a potential large bank failure and develop possible courses of action in order to prepare the FDIC. During 2000, the FDIC expects to finalize the development of the contingency plan.

Human Resources (staffing and training): The FDIC plans to focus on the training of staff who might be called upon to assist with future institution resolutions. The FDIC is in the process of developing and implementing core training programs covering all aspects of the failed insured depository institution resolution process. In this regard, the FDIC has initiated a process to assess the readiness capacity of the organization to handle the resolution of failures under different failure scenarios. As part of this process, the FDIC is determining the staffing capacity and skills needed under each scenario.

Crosscutting Efforts: The FDIC will continue to work with the other federal banking agencies to coordinate efforts and planning for possible large bank failures. These efforts will include the collection and sharing of information on insured depository institutions that appear likely to fail and the maintenance of open communications between the FDIC and the other federal banking agencies and state authorities.

Verification and Validation

Evidence of the timeliness of insured deposit payments can be confirmed with the closing manager for the failed insured depository institutions. The three-day measurement is based on the FDIC's usual insured depository institution closing scenario. Typically, the FDIC closes a failed insured depository institution on a Friday. The depositors of the failed institution have access to their accounts on the following Monday, either through an account in the acquiring institution or through a direct payment from the FDIC on the occasion where the FDIC cannot find an acceptable acquiring insured depository institution.

Impact of External Factors

Please refer to the Appendix of the Annual Plan for the specific narrative discussion of the following external factor(s) which might impact the achievement of the annual goal:

Year 2000 (A)

Strategic Goal Deposit insurance funds remain viable.

Annual Performance Goal Economic trends and emerging risks in banking are identified, monitored and addressed appropriately.

Indicators and Targets 1. Feedback from examiners and the industry on emerging risks and trends identified and communicated by the FDIC's Divisions of Insurance, Supervision and Research and Statistics.

- To establish and conduct surveys and to develop baseline data.

2. Reports are issued and briefings are prepared and presented to FDIC staff, the other federal banking agencies and the public.

- a) Quarterly reports are issued on a timely basis, b) Semi-annual briefings are delivered as scheduled.

Background The proactive identification of risks to the deposit insurance funds is an on-going and critical function. Risks emerging in 2000 to insured depository institutions will be identified through off-site and on-site risk identification processes and communicated through a variety of reports to the banking industry, the other federal banking agencies and state authorities.

Means and Strategies

Risk Analysis – Insurance Business Process (21)

Operational Processes (initiatives and strategies): The FDIC produces and disseminates information and analyses on risks to the deposit insurance funds such as sub-prime consumer lending and deterioration in commercial credit quality, through periodic reports, presentations, regular publications and continued participation in outreach efforts. Through these reports and presentations, bankers and other stakeholders, other regulators and industry experts are provided an overview of significant or key economic and financial developments affecting the FDIC and insured institutions. Risks are also communicated through various mechanisms such as surveys (the *Underwriting Survey*), Financial Institution Letters (FILs) and participation in industry events.

The FDIC presents information on the condition of the insurance funds, the banking and savings association industries, relevant economic and financial trends and analysis of the current trend in industry structure. Ongoing coverage and analysis of economic, financial, and banking developments that affect the risk exposure of insured depository institutions is provided. The FDIC coordinates with the other federal banking agencies and state authorities to discuss and exchange information on potential and existing risks to the industry. The FDIC also publishes reports that discuss areas of potential and existing risks and trends that could affect insured institutions. Formal presentations and briefings are developed and conducted that discuss and communicate the issues and trends that may pose risks to the deposit insurance funds or affect the risk profiles for insured depository institutions.

In 2000, the current process used to develop the semiannual risk briefing on Economic Conditions and Emerging Risks in Banking will be enhanced through the use of advanced quantification and scenario analysis of risk. A corporate message about emerging risks will be developed and communicated to the banking industry, the federal banking agencies, state authorities and others.

The effects of industry changes, such as consolidation and megamergers, on the deposit insurance funds will also be analyzed. Currently, the FDIC is preparing a report on systemic risk and how the failure of a large bank could potentially result in the transmission of systemic risk through the economy. The report will describe the concept of systemic risk and what specific risks may occur in a large bank failure.

The FDIC will monitor the condition of the banking and savings association industries and formulate forecasts of bank and savings association failures as well as associated failure resolution costs. The FDIC will track economic events and market changes that might influence future failure rates and failure resolution costs. The FDIC will maintain and improve models that forecast CAMELS rating downgrades. Finally, the FDIC will analyze relevant legislation that might affect risk. As appropriate, draft legislation may be proposed that could serve to reduce risk. Court decisions that could impact risk or increase risk to the banking system will continue to be monitored and evaluated.

Technology: The Regional Economic Conditions Report for Examiners (RECON) application will be enhanced and maintained to provide examiners, the other federal banking agencies, state authorities and insured depository institutions with up-to-date economic data and analysis.

The Data Access Retrieval Tool (DART) application will be enhanced to provide common access to multiple data sources (both internal and external) for the purpose of improving our ability to analyze economic trends and emerging risk. In response to analysts' suggestions, new tools will be added and usability improvements will be made. Additionally, the application will be made available more broadly within the FDIC through the *Intranet*. This will enable more analysts, across division and office lines, access to a wider array of data for analysis purposes.

The Information Workstation project is a navigation tool to deliver access to inter- and intra-agency information in a Web environment. The initial phase of Information Workstation will allow users both within the FDIC and the other federal banking agencies to access a variety of information systems related to applications, examinations, early warning via off-site analysis and large bank institution analysis.

Furthermore, the Information Workstation will provide links to external databases to obtain a macro view of an insured depository institution, its affiliates and the financial industry. The Risk Related Premium System will be one feature of the Information Workstation. The Information Workstation will also provide access to the Banking Information Tracking System (BITS) redesign.

Crosscutting Efforts: The FDIC coordinates with the other federal banking agencies and state authorities to discuss and exchange information on potential and existing risks to the industry.

Verification and Validation

Guidelines have been developed to ensure appropriate internal control of the review and verification of the accuracy of analytical reports and presentations. The data in the analyses is reviewed for accuracy and the documentation supports the analytical conclusions. The validation measure for the effectiveness of communications and the usefulness of the analyses is qualitative. Responses from FDIC senior management, other regulators, bankers and the public determine the necessary course of action. Further, surveys will be conducted to obtain information on the quality and relevance of the information being provided to examiners. The data collected and analyzed will develop a baseline for future surveys.

Impact of External Factors None identified at this time.

Strategic Goal Deposit insurance funds remain viable.

Annual Performance Goal 100% of supervisory concerns noted during off-site reviews of insured depository institutions are resolved without further action or are referred for examination or other supervisory action.

Indicator and Target Concerns identified during off-site reviews that are resolved or referred for examination or other action (i.e., contact with bank or primary supervisor).

- 100% of identified concerns are resolved or referred.

Background The off-site reviews of insured depository institutions allow the FDIC to identify emerging risks, facilitate pre-examination planning and serve as an early warning or identification of potential deterioration of an institution's condition. By resolving or referring 100% of the concerns noted during off-site reviews for an examination or other supervisory action, the FDIC monitors how insured depository institutions appropriately manage risks.

Means and Strategies

Risk Analysis – Insurance Business Process (21) *Operational Processes (initiatives and strategies):* Off-site monitoring is an integral part of the FDIC's risk assessment program. It facilitates pre-examination planning (determining the scope of the examination and staffing needs), it serves as an early warning (or indication) for potential deterioration of a specific institution and it helps identify macro issues. Existing monitoring systems include the Growth Monitoring System (GMS), the Large Insured Depository Institution (LIDI) Program, and the Statistical CAMELS Off-site Rating (SCOR). The GMS is an off-site monitoring system that is principally designed to identify institutions that have experienced significant growth and which may pose risks to the insured depository institution's condition. The LIDI Program is an off-site monitoring tool that evaluates the financial condition of large insured depository institutions with consolidated company assets exceeding $10 billion, although companies with assets exceeding $3 billion may be included if warranted. LIDI analysis is critical since it assesses risks to the deposit insurance funds posed by the largest financial institutions and their related holding companies.

An example of a new off-site monitoring tool is the Statistical CAMELS Off-site Rating, or SCOR. The SCOR System uses the quarterly Call Report or financial data that insured depository institutions report to identify institutions that may receive a downgrade in their capital position, asset quality, management practices, earnings performance, liquidity posture, or interest rate sensitivity (CAMELS) ratings at their next safety and soundness examination.

The off-site programs focus on evaluating the financial condition and potential risks of insured depository institutions through data capture, analysis, and review. Off-site program efforts also require data and information sharing with the other federal banking agencies and state authorities.

When an insured depository institution shows a high probability of being downgraded to a "3", "4", or "5", an exception report will be generated by the SCOR System for that institution. The GMS will generate an exception report when an insured depository institution experiences significant growth. These exception reports are reviewed and analyzed and appropriate follow-up action is taken as necessary. Follow-up actions may include discussions with the institutions' management or with the other federal banking agencies and state authorities or continued off-site analysis of the institution.

The FDIC's Regional Case Manager program was implemented in 1997 to accommodate changes in the banking industry such as interstate banking or bank mergers and consolidations. The duties of a Case Manager include monitoring the financial condition of the insured depository institutions for which they have primary responsibility.

Large holding companies and banking institutions (those with assets of $10 billion and over) comprise approximately 70% of insured depository institution assets, and their size and complexity pose a significant potential risk to the deposit insurance funds. Analyses are performed quarterly on all LIDI companies to evaluate and monitor the potential risks. LIDI companies with consolidated assets of $25 billion or more receive ongoing analysis (Living Analysis), including an analysis of structure and business focus, financial condition and trends and risk profile.

The Living Analysis is a comprehensive analysis, considering all relevant data and information from confidential regulatory and institution sources, proprietary investment company sources, and publicly available market sources. In addition to financial and risk analyses, a supervisory strategy is developed for each LIDI company. Since the FDIC is not the primary federal supervisor for most LIDI companies, the FDIC cooperates, communicates and shares information with the other federal banking agencies on an ongoing basis to ensure that emerging risks and trends are identified and promptly addressed. Appropriate follow-up action to LIDI analyses is taken, if necessary, based upon the supervisory concerns noted in the off-site analysis performed by FDIC Case Managers.

Follow-up action may include discussions with FDIC-supervised insured depository institution's management, discussions with the other federal banking agencies and state authorities, revision of the supervisory strategy, performance of an examination or continued off-site analysis of the insured depository institution.

At the discretion of the Regional Director, LIDI analyses may also be performed on companies with consolidated assets of between $3 billion and $10 billion. The FDIC will continue to monitor and assess the risks in these insured depository institutions through the on-site examination function and off-site monitoring tools such as SCOR, GMS, and, when applicable, the LIDI Program.

FDIC's technological infrastructure is being improved to keep pace with a consolidating industry to adequately assess emerging risks arising from more complex organizations and new lines of business.

In 2000, the FDIC will in particular focus on emerging financial sector technologies and the risks these new technologies present to banks, savings associations, and the FDIC. LIDI companies are at the forefront of industry change and emerging financial sector technologies. In order to ensure that the FDIC maintains pace with industry change, the LIDI Program was revised in 1999 to include a new Living Analysis initiative. Case Managers will update the Living Analysis on a real-time basis, as pertinent information becomes available. Also, to ensure these Living Analyses are available to staff involved in large bank analysis on an as-needed basis, the Living Analysis will be updated regularly to an internal Web site. LIDI companies share large credits they originate in efforts to reduce concentrations and credit risks. Increased analysis of these

Shared National Credits promotes prompt identification of emerging credit-related risks and developing credit-related trends. Additionally, new and ongoing communication and information sharing initiatives provide for prompt supervisory response to the emerging risks and developing trends related to the changes in the industry.

Human Resources (staffing and training): LIDI training involves several ongoing and new initiatives. The FDIC will re-institute the annual Case Manager's Conference. This conference focuses on large bank topics. Also, new initiatives include quarterly, nation-wide video-conferencing with staff involved in the LIDI Program to foster improved communication and information sharing on large bank topics. Another new initiative relates to FDIC Washington Office personnel periodically visiting Regional Offices to discuss large bank issues and concerns. These visits could include participation at a Regional Training Conference or specific visits at a Region's request.

The FDIC Washington Office staff involved in the LIDI Program will increase in order to provide additional program oversight and increase emerging risk and trend analysis efforts. Regional efforts will continue to be concentrated in the Case Managers responsible for specifically assigned caseloads.

Technology: The off-site analysis program identifies emerging risks in large and complex banking companies through the LIDI program and in community banks through the SCOR and GMS processes. FDIC is modernizing the technological infrastructure to collect and store information from several sources: Call Reports, the GENESYS Repository of examination information, the FRB's National Information Center database and the Bank Organization National Desktop System, the OCC's Examiner View System, OTS data, the Shared National Credit database and from various private industry sources. The comprehensive warehouse of information will permit FDIC to use state-of-the-art analytical tools to keep pace with larger and more complex banking organizations and their future business plans.

The FDIC has begun a major initiative to modernize and integrate data collection, management reporting and analytical systems to improve significantly its ability to assess risk and perform off-site analysis. The Data Collection Systems Modernization project includes the Core Call Report, Trust Report and the Summary of Deposits Survey.

To facilitate off-site analyses, the FDIC is redesigning the BITS and the Structure Information Management System. The BITS project is multi-phased and will replace a key mainframe system. It uses new technology, developing an interactive, browser-based reporting system and permitting a top-down view of banking organizations.

The FDIC's large bank analysis efforts under the LIDI Program involve significant technology interfaces. These include a new initiative relating to a Living Analysis of the largest LIDI companies, those with consolidated assets over $25 billion. The Living Analysis is a real-time analysis, updated, as pertinent information becomes available.

Crosscutting Efforts: The FDIC continues to work with the other federal banking agencies to leverage and improve existing statistical databases and management reporting systems. Through these cooperative efforts with the other federal banking agencies, the FDIC also shares pertinent database information. These efforts improve technology interfaces, reduce duplicative internal databases and facilitate risk assessments of insured depository institutions.

Since the FDIC is not the primary federal supervisor for most LIDI companies, the FDIC cooperates, communicates and shares information with the other federal banking agencies on an ongoing basis to ensure that emerging risks and trends are identified and promptly addressed.

During the off-site review process, supervisory concerns may be noted which result in follow-up actions being taken. These cooperative efforts may include discussions with the institutions' management or with the other federal banking agencies and state authorities or continued off-site analysis of the institution.

Should the FDIC identify serious emerging risks or have serious concerns relative to a non-FDIC supervised institution's risk profile, the FDIC can perform or participate in the safety and soundness examination of the institution with the concurrence of the institution's primary federal supervisor or the FDIC's Board of Directors.

Verification and Validation

The FDIC reviews the exceptions on SCOR and GMS. Follow-up action on insured depository institutions considered a supervisory concern, as a result of reviewing the SCOR and GMS exceptions, is performed. Trends or other significant highlights noted in the LIDI reviews are reported.

GMS exception reports are generated on the Extended Monitoring System in BITS. As part of the BITS redesign, SCOR exception reports will be maintained on the FDIC's *Intranet*. All reviews must be noted with action codes entered in the system. Also, each FDIC Division of Supervision Regional Director must certify on a quarterly basis that all exceptions were reviewed. The FDIC's Washington Office receives and reviews signed copies of the exception reports from the Regional Directors.

All LIDI reports are forwarded to the Washington Office. Compliance with reporting requirements of LIDI reviews will be assessed during FDIC Regional Office Internal Control Reviews. The quality of the reports is reviewed in conjunction with the Internal Control Reviews.

Impact of External Factors

Please refer to the Appendix of the Annual Plan for the specific narrative discussion of the following external factor(s) which might impact the achievement of the annual goal:

Year 2000 (C)
Economy (B)
Industry Consolidation (A)

Strategic Goal Deposit insurance funds remain viable.

Annual Performance Goal Assessment rate schedules and risk classifications correspond with relative risk rankings of insured depository institutions, subject to statutory constraints.

Indicators and Targets 1. Modifications to the Risk Related Premium System.

- Modifications are made according to schedule.

2. The reserve balance to insured deposits is at or above the designated reserve ratio.

- Maintain designated reserve ratio of 1.25%.

Background The viability of the deposit insurance funds depends on the FDIC's adjustment of the risk-based deposit insurance premiums to accurately reflect and respond to risks in the banking industry. The insurance premium assessment rates charged should correspond to the relative risk posed by these institutions while maintaining the statutorily mandated reserve ratio.

Means and Strategies

Fiduciary Responsibilities – Insurance Premium Assessments Business Process (23)

Operational Processes (initiatives and strategies): A reconcilement process is utilized to ensure that semiannual risk classifications assigned to institutions through the Risk Related Premium System (RRPS) are appropriate. When institutions are preliminarily assigned assessment risk classifications, the risk related premium computer system identifies or flags institutions that exhibit inconsistencies or missing supervisory ratings information. Flagged institutions are subsequently reviewed to validate the appropriateness and ensure the accuracy of the risk classifications. The FDIC will continue to enhance the reconcilement process by developing and implementing supplemental flags to identify institutions engaged in risky practices. Objective Call Report data and market-based information will be used to examine particular characteristics of institutions to identify riskier outliers.

The FDIC will evaluate the appropriateness of assessment base measurement to determine whether a fairer or simpler measure can be used. Timely and accurate data and information used for the review of deposit insurance assessments and other purposes will be provided on a quarterly basis. The FDIC will draft and interpret regulations related to assessments and provide legal opinions on the scope of the Corporation's assessment authority. In addition, the FDIC will review, draft and analyze proposed assessment-related legislation and will defend assessment-related litigation.

Technology: The FDIC will migrate the existing RRPS databases to a DB2 database system. This will provide a user-friendly front-end application in order to provide immediate access to the most used elements of the RRPS.

Verification and Validation

To ensure that the Risk Related Premium System assessed higher insurance premiums to riskier institutions in a timely manner, the FDIC reviews the assessment history of all failed insured depository institutions to determine if any adjustments to the system are necessary.

Impact of External Factors

None identified at this time.

Strategic Goal Deposit insurance funds remain viable.

Annual Performance Goal Any significant increases in insurance fund exposures are identified.

Indicators and Targets

1. Losses projected minus losses actually incurred.

- The differential between actual losses and projected losses is reasonable based on current conditions.

2. Evaluate loss reserve process on a quarterly basis.

- Evaluation conducted quarterly.

Background The proactive identification of risks to the deposit insurance funds is an on-going and critical function. The FDIC will periodically assess the overall adequacy of the deposit insurance fund balances relative to current industry conditions and potential indicators of risks. Significant increases in insurance fund exposures must be identified on a timely basis so decision-makers can adjust the risk-based insurance premiums and take any other measures necessary to ensure the viability of the deposit insurance funds.

Means and Strategies

Fiduciary Responsibilities – Insurance Premium Assessments Business Process (23)

Operational Processes (initiatives and strategies): The FDIC's Financial Risk Committee (FRC) will develop quarterly bank and savings association failure projections and estimates to establish contingent loss reserves for the insurance funds. The FRC will assess the overall adequacy of the deposit insurance fund balances relative to current industry conditions and potential indicators of risk, including supervisory and market information.

The FRC will keep pace with changing techniques and methodologies used to analyze the changing nature of risk exposure including scenario analysis and stress test analysis. Models that forecast failures and failure projection costs will be maintained and enhanced, as necessary. The FRC will regularly review adverse events to identify lessons or implications for monitoring and addressing risks. Supervisory and other information about large banks will be incorporated into insurance related business decisions.

The viability of the deposit insurance funds also depends on the FDIC's adjustment of the risk-based deposit insurance premiums to accurately reflect and respond to the risk to those funds. The insurance premium assessment rates charged should correspond to the relative risk posed by these institutions while maintaining the statutorily mandated reserve ratio of 1.25 percent of insured deposits.

Analysis will include emerging risks, the growth or shrinkage of insured deposits, the current assessment base, loss expectations, interest income earned on the funds and corporate operating expenses. These will be used to project the level of assessment revenues necessary to maintain the statutorily mandated reserve ratio.

Technology: Models, screens and other analytical tools to identify and quantify fund risk exposure will be developed and enhanced.

Verification and Validation

Based on an analysis of the projected failed bank assets and other pertinent information, the FRC will recommend provisions to the contingent loss reserve to the Board of Directors. Annually, the General Accounting Office (GAO) will audit the methodology used to determine the contingent loss reserve. If the GAO finds no exceptions, then the methodology is considered acceptable. The FRC also evaluates the loss reserve process on a quarterly basis.

Impact of External Factors

None identified at this time.

Strategic Goal Consumers know what funds are insured.

Annual Performance Goal Effectively conduct deposit insurance outreach nationwide.

Indicators and Targets 1. Number of Regions that scheduled deposit insurance education seminars.

- At least one deposit insurance seminar is held in each Region during the year.

2. Percentage of seminar participants who rate the seminar satisfactory or higher.

- Establish baseline data.

3. Percentage of seminar participants who pass deposit insurance test.

- Establish baseline data.

Background By providing banks and consumers with deposit insurance information, these customers have the information they need to determine what funds are insured.

Means and Strategies

Deposit Insurance Outreach Business Process (30)

Operational Processes (initiatives and strategies): In support of the deposit insurance outreach process, the FDIC develops and disseminates educational materials and conducts training on all aspects of deposit insurance.

The FDIC will employ three indicators to measure its success in effectively conducting deposit insurance nationwide:

- The FDIC will report on the number of regions that scheduled deposit insurance education seminars. The target will be to conduct at least one deposit insurance seminar in each region during the year for financial institution employees. The purpose of the seminars will be to heighten awareness and understanding of the new deposit insurance rules adopted by the FDIC Board of Directors in April 1999. A schedule and location of seminars will be prepared by the first quarter of 2000. In addition, the FDIC will produce a training video for viewing by institution employees on the deposit insurance rules.

- The FDIC will survey seminar participants to ascertain their understanding of deposit insurance information presented at the seminars. In 2000, baseline data will be established from which a performance improvement target can be set in future years.

- The FDIC will evaluate whether the seminars are the most effective training tool, or whether other alternatives should be considered. In 2000, baseline data will be established from which a performance improvement target can be set in future years.

The FDIC maintains a Web site with consumer pamphlets and deposit insurance guidance. In 2000, a mechanism will be established on the Web site that will allow the FDIC to collect customer satisfaction data from consumers who use the consumer mailbox to request deposit insurance information.

The FDIC will develop, draft, interpret and prepare amendments to the FDIC regulations governing deposit insurance coverage and will issue legal interpretations on new and emerging issues. The FDIC will conduct outreach programs aimed at educating the public about deposit insurance issues and provide legal interpretations and assistance in responses on deposit insurance inquiries.

FDIC staff will respond to increased telephone and written contact by consumers in light of new consumer protection features incorporated in the Gramm-Leach-Bliley Financial Services Modernization Act (Financial Services Modernization Act). In addition, consumer organizations and consumer advocates will most likely comment on the features in the Financial Services Modernization Act through general publications. These comments might prompt the public to contact the FDIC to seek clarification about the new law.

Human Resources (staffing and training): A primary tool used by the FDIC to deliver deposit insurance information to consumers and bankers is the toll-free Consumer Affairs Call Center. The FDIC relies on contractor support in the Consumer Affairs Call Center to aid in addressing consumer and bank complaints and deposit insurance inquiries. In 2000, the FDIC will expand contractor support in the Call Center, if needed, to respond to additional increases in call volume about deposit insurance matters, specifically regarding the new deposit insurance rules that went into effect in 1999.

Technology: The FDIC maintains an interactive software application, the Electronic Deposit Insurance Estimator (EDIE), that assists users in calculating the amount of insurance coverage on customer accounts at FDIC insured depository institutions. In 2000, the Corporation will also evaluate customer satisfaction with EDIE and initiate development of a stand-alone version of EDIE for bankers.

The FDIC will implement a new version of its telephone management system that provides an enhanced ability to monitor call activity and assist with call volume forecasting.

The FDIC will also consider modifying the coding system in its Specialized Tracking and Reporting System that is used to capture and report information about the nature of complaints and inquiries. This enhancement will allow the FDIC to record and report data on consumer complaints related to the dissemination of inaccurate deposit insurance information.

Verification and Validation

Education and training activities will be monitored, including Internet-based activities, to determine if initiatives in this area are responsive to customer needs. The FDIC also plans on developing procedures to determine that results of surveys given at the deposit insurance outreach seminars are being analyzed appropriately.

Impact of External Factors

Please refer to the Appendix of the Annual Plan for the specific narrative discussion of the following external factor(s) which might impact the achievement of the annual goal:

Year 2000 (B)
Economy (A)

Strategic Goal U.S. leadership on deposit insurance is provided to ensure support for international financial stability.

Annual Performance Goal Assess how the FDIC can best contribute to U.S. leadership on global deposit insurance issues through 1) technical assistance, 2) research and scholarship and 3) enhanced coordination and communication.

Indicator and Target Achieve milestones as reported via formal report to be submitted to the Chairman's Working Group in January 2000.

- Implementation of recommendations related to technical assistance, research and scholarship and coordination and communication.

Background As the world's leading expert on deposit insurance, the FDIC receives a large number of inquiries from foreign governments and regulators. In 2000, the FDIC will put in place a program to better organize the agency's efforts to provide technical assistance and research and scholarship on deposit insurance issues and to enhance coordination and communication amongst deposit insurers around the world. Through sound management of its international efforts, the FDIC is able to leverage resources and share its experiences and expertise to achieve the most effective results. Deposit insurance is a critical element in supporting financial stability, and supporting global financial stability contributes to domestic financial stability.

Means and Strategies

International Deposit Insurance Business Process (24)

Operational Processes (initiatives and strategies): The FDIC has historically been called upon to provide technical assistance and research and scholarship related to deposit insurance. The FDIC will assess how to best leverage its resources to support the increasing demand for technical assistance and expertise and fulfill its commitment to enhanced coordination and communication among deposit insurers around the world.

The FDIC will continue to provide advice to foreign countries on supervision, deposit insurance and resolution and liquidation issues through the FDIC's International Working Group, which sets FDIC policies for foreign technical assistance requests and for the international visitors program. FDIC staff will be made available through various U.S. government-sponsored programs and other means to provide technical expertise in connection with foreign missions sponsored by foreign governments and international financial institutions.

The FDIC will support the U.S. government's participation in efforts to advance international deposit insurance issues through the U.S. Department of the Treasury and the other federal banking agencies. For example, through the U.S. Department of the Treasury, the FDIC participates in the Study Group on Deposit Insurance sponsored by the Financial Stability Forum. The FDIC will pursue activities relating to roundtable discussions and communication among deposit insurers around the world. Finally, the FDIC will participate in the expected Basel Committee Workshop on Empirical Research on Bank Supervision by preparing and presenting papers which discuss issues related to the supervision and regulation of banking institutions.

Technology: A Web site that is accessible from the FDIC's external home page to facilitate enhanced communication among deposit insurers and to communicate information on deposit insurance issues globally will be developed.

Crosscutting Efforts: The FDIC will continue to work with the U.S. Department of the Treasury, the other federal banking agencies and organizations sponsored by the Bank for International Settlements in efforts to advance deposit insurance issues. The FDIC will also continue its technical assistance programs through work with foreign governments and international financial institutions.

Verification and Validation

A project plan with milestones and deliverables for 2000 will be developed early in the year. The completion of these milestones will mark the FDIC's progress.

Impact of External Factors

The continued support of the U.S. in the area of international financial stability is the most significant external factor that may affect the FDIC's initiative on international deposit insurance leadership. Certain aspects of the FDIC's participation in efforts to provide U.S. leadership on global deposit insurance issues are dependent, in part, on the continued support and sponsorship of the U.S. in this area. The U.S. Department of the Treasury, for example, sponsors the FDIC's participation in the Financial Stability Forum.

SUPERVISION PROGRAM

Program Description

The FDIC's Supervision Program helps to fulfill the FDIC's mission of contributing to stability and public confidence in the nation's financial system. The Program is composed of two result areas, Safety and Soundness and Consumer Rights. The desired result of the Safety and Soundness is that insured depository institutions are safe and sound. The Consumer Rights desired strategic result is that consumers' rights are protected and that FDIC-supervised insured depository institutions invest in their communities.

Safety and Soundness

The FDIC supervises 5,793[2] FDIC-insured state-chartered commercial banks that are not members of the Federal Reserve System, described as, state nonmember banks. This includes state-licensed insured branches of foreign banks and state-chartered mutual savings banks. The FDIC also has examination authority and back-up enforcement authority for state member banks that are supervised by the FRB, national banks that are supervised by the OCC and savings associations that are supervised by the OTS.

As supervisor, the FDIC performs safety and soundness examinations of FDIC-supervised institutions to assess overall financial condition, management practices and policies and compliance with applicable laws and regulations. The FDIC also assesses internal control systems, and procedures normally performed in completing this assessment may disclose the presence of fraud or insider abuse. Through the examination process, the FDIC also assesses Year 2000 problems and the adequacy of management systems to identify and control risks. The Year 2000 rollover occurred without any material or adverse developments. The FDIC will perform Year 2000 health checks on an as needed basis or during the normal supervisory process until June 30, 2000.

The FDIC utilizes off-site reviews to facilitate pre-examination planning and to determine if examinations are needed outside of the regular schedule. The FDIC off-site review process

[2] 3rd Quarter 1999 FDIC Banking Profile.

includes reviewing SCOR and GMS exceptions and performing LIDI reviews on large insured depository institutions with consolidated company assets over $10 billion. These reviews monitor risks and changes in financial conditions of insured institutions. The annual performance goal related to these off-site review processes, historically included in the Supervision Program, is now part of the Insurance Program.

The FDIC's assessment of industry trends, risks and safe and sound management practices are communicated to the public through written documents, industry seminars and the *Internet* thus promoting market discipline of insured depository institutions. Risks to FDIC-supervised insured depository institutions identified during an examination are communicated to the institution's management and the board of directors. Risks identified during the examination of institutions are also integrated into the supervisory process.

The FDIC also monitors expansion of FDIC-supervised insured depository institutions into the insured depository institution system. Institutions applying for expansion of existing activities or locations must be well capitalized, possess a qualified management team, be capable of operating in a safe and sound manner and be compliant with applicable laws and regulations.

In the event weaknesses are detected through the examination process, the FDIC takes appropriate action. For insured depository institutions identified as having significant weaknesses or those that are operating in a deteriorated financial condition, the FDIC may oversee the re-capitalization, merger, closure or other resolution of the institution. Otherwise, the FDIC may issue a formal or informal enforcement action, under which the institution is required to operate, to address the weakness identified.

In 2000, the FDIC will pursue annual goals that will further contribute to the achievement of the strategic goals and objectives. Specifically, the FDIC will focus on:

- Initiating on-site safety and soundness examinations of FDIC-supervised insured depository institutions
- Providing financial data to the public on insured depository institutions
- Taking appropriate follow-up action to address any

Y2K-related problems that FDIC-supervised insured depository institutions, service providers, or software vendors may be experiencing due to the millennium date change

- Taking prompt corrective action to address problems identified during FDIC-supervised insured depository institution examinations and monitoring compliance with those actions

Consumer Rights The FDIC engages in a variety of activities related to consumer protection and fair lending. The FDIC: 1) provides consumers with access to easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws and 2) examines FDIC-supervised insured depository institutions to determine their compliance with consumer and fair lending laws, including the Community Reinvestment Act of 1977 (CRA).

The FDIC provides information about consumer protection, fair lending, and deposit insurance to help consumers understand their rights. Insured depository institutions are provided with updated information regarding consumer laws and regulations to help them better understand and comply with the laws.

The FDIC also conducts outreach activities for community groups and insured depository institutions in order to promote community lending. Through community outreach efforts and technical assistance, the FDIC encourages lenders to work with members of their local communities in meeting the communities' credit needs.

The compliance examination process determines insured depository institution compliance with consumer protection, CRA and fair lending laws and regulations. In addition to the examination process, the FDIC investigates consumer complaints of unfair or deceptive practices by insured depository institutions. Non-compliance with consumer laws can result in civil liability and negative publicity as well as formal or informal actions by the FDIC to correct the identified violations.

An institution's compliance with consumer protection, CRA, and fair lending laws is considered in any institution's application for entry or expansion within the insured depository institution industry.

In 2000, the FDIC will pursue annual goals that will further contribute to the achievement of the strategic goals and objectives. Specifically, the FDIC will focus on

- Effectively responding to written and telephone complaints and inquiries relating to deposit insurance and consumer protection laws
- Effectively providing outreach, technical assistance and training on topics related to CRA and community development
- Initiating compliance and CRA examinations
- Promptly taking supervisory actions on all 4 and 5 rated institutions to address problems identified during compliance examinations and monitoring compliance with those actions

Resource Requirements

Below are the budgeted dollars (in millions) aggregated by strategic goal within the Supervision Program. The inclusion of budgeted dollars reflects the level of FDIC funding dedicated to the achievement of the strategic goals and includes, but is not limited to, the amount of resources required to achieve the annual performance goals within the Supervision Program.

***Strategic Goal* –** Insured depository institutions appropriately manage risk.	**$458.5**
***Strategic Goal* –** Problem insured depository institutions are recapitalized, merged, closed or otherwise resolved.	**22.2**
***Strategic Goal* –** Consumers have access to easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws.	**21.8**
***Strategic Goal* –** FDIC-supervised insured depository institutions comply with consumer protection, CRA and fair lending laws.	**109.0**
TOTAL for Supervision Program	**$611.5**

Supervision Program: Safety and Soundness

Strategic Result, Strategic Goals and 2000 Annual Performance Goals

Strategic Result	Strategic Goals	2000 Annual Performance Goals
Insured depository institutions are safe and sound	Insured depository institutions appropriately manage risk	On-site safety and soundness examinations on FDIC-supervised insured depository institutions are initiated in accordance with statutory requirements, FDIC policy, state agreements or as otherwise needed Financial data provided to the public on insured depository institutions is maintained and enhanced Through a combination of on-site assessments and off-site contacts, monitor FDIC-supervised insured depository institutions, and those service providers and software vendors that the FDIC is responsible for examining, as they enter the new millennium to determine what, if any, Y2K-related problems they may be experiencing. Appropriate follow-up taken on all Y2K-related problems
	Problem insured depository institutions are recapitalized, merged, closed or otherwise resolved	Prompt supervisory actions are taken to address problems identified during the FDIC examination of institutions identified as problem insured depository institutions. FDIC-supervised insured depository institution compliance with formal and informal enforcement actions is monitored

Strategic Goal Insured depository institutions appropriately manage risk.

Annual Performance Goal On-site safety and soundness examinations on FDIC-supervised insured depository institutions are initiated in accordance with statutory requirements, FDIC policy, and state agreements or as otherwise needed.

Indicator and Target Percentage of required statutory examinations initiated.

- 100% of statutorily required examinations initiated.

Background On-site safety and soundness examinations are conducted to assess an FDIC-supervised insured depository institution's overall financial condition, management practices and policies, and compliance with applicable regulations. By conducting safety and soundness examinations of FDIC-supervised insured depository institutions, the FDIC monitors how each examined institution manages risks.

Means and Strategies

Risk Management – Safety and Soundness Business Process (22)

Operational Processes (initiatives and strategies): The examination process is a critical part of the supervisory framework established to promote stability and public confidence in the nation's banking industry. Examinations are conducted to assess an FDIC-supervised insured depository institution's overall financial condition, management practices and policies and compliance with applicable regulations. If weaknesses are detected, the FDIC takes steps to ensure their correction. The effects of industry and legislative changes on the Supervision Program are analyzed as necessary. The methods the FDIC utilizes to examine institutions will be analyzed and refined as necessary.

The FDIC performs examinations of all FDIC-supervised insured depository institutions. In addition, the FDIC periodically participates with the other federal banking agencies in the examination of insured depository institutions that they supervise. During 1999, the FDIC's examination workload included not only regularly scheduled examinations, but also included approximately 300 examinations that were projected to start in 1998 but were not commenced due to staffing constraints and the Year 2000 workload. These examinations are projected to be completed in 1999, and in 2000, the FDIC's examination workload includes regularly scheduled examinations.

The FDIC will continue to use technological advances to improve the efficiency of examinations and the regulatory oversight of insured depository institutions, as exemplified by the development of the General Examination System (GENESYS). GENESYS is a cooperative effort between the FDIC, the Federal Reserve System, and the Conference of State Bank Supervisors (CSBS), and is aimed at developing a single product, which may be used by all regulatory agencies, to perform safety and soundness examinations. Another automated product developed on an interagency basis is the Examination Documentation (ED) System, which provides examiners with the examination modules containing the risk-focused examination procedures in an automated format. The FDIC, the Federal Reserve Banks, and many states also use the Automated Loan Examination and Review Tool (ALERT), a tool used to target loan review during examinations. An interagency committee that is responsible for directing maintenance of and proposing enhancements to these supervision-related software products has a goal of more closely integrating the three programs to make them more efficient.

Through greatly refined systems, such as ALERT, GENESYS, Examination Repository and others, examination analysis and the by-products thereof should be enhanced.

Analysis of changes in the industry and current and emerging financial sector technologies enable the FDIC to keep pace with the industry. New and emerging technology will also be a focus for the FDIC in terms of the risk that it poses to banks and savings associations. The FDIC will dedicate staff to analyzing other emerging risks that would impact examinations.

The Student Career Experience Program adds diversity to the FDIC by expanding the pool of job candidates, as does status/non-status posting of senior positions. Other diversity initiatives include converting participants in the Student Career Experience Program to Examiner (Trainees) and utilizing the internal merit promotion posting and crossover program for Examiner (Trainees) and Examiner (Associates). Inter- and intra-divisional details will provide developmental opportunities. Determining if additional examination work can be performed off-site will address diversity-related workplace issues.

Human Resources (staffing and training): Staffing projections include an historic average attrition rate of 10% for examiners. Hiring will be through combined initiatives such as the FDIC's internal crossover program and internal merit-promotion posting, recruiting and the standard posting process. During 1999, the FDIC implemented the Student Career Experience Program (SCEP) and will continue to utilize the program in 2000.

In late 2000, the FDIC will begin evaluating the curriculum and training delivery system for new hires with an objective of identifying means of more efficiently training a smaller class of new hires. Training in specialized areas such as trust and electronic banking was reduced in 1999 due to examination and Y2K-related priorities. Training in the specialty areas will be re-instated in 2000 so that the FDIC can keep pace with changes in the industry.

Technology: The FDIC will continue its efforts, both internally and with the other federal banking agencies, to leverage and improve existing statistical databases and management reporting systems. The FDIC will continue to enhance computer technology such as ALERT, which is a tool used to target loan review during examinations and ED, which automates the examination modules containing risk focused examination procedures. During 2000, new laptop computers will be purchased for the examination workforce. The new laptop computers will have greater memory, which will allow examiners to use more memory intensive examination applications during safety and soundness examinations.

The FDIC will continue to enhance supervision-related computer technology such as GENESYS, ED, and ALERT. The FDIC and other supervisors intend to more closely integrate these software products to make them easier to use and to create a more effective examination tool. Also, the new Examination Repository will store data from the above three programs. When fully implemented, the Examination Repository will enable the FDIC to track trends and emerging risks on a cumulative basis from the examination process.

Crosscutting Efforts: The FDIC periodically participates with the other federal banking agencies in the examination of insured depository institutions that they supervise.
Both internally and in conjunction with the other federal banking agencies, the FDIC will continue its efforts to leverage

and improve existing statistical databases and management reporting systems. Through the BITS redesign project, the GENESYS applications and Extranet, the web-based delivery system, the FDIC and the other federal banking agencies should benefit from the availability of much more timely supervisory data. The data should be readily exchanged among the agencies.

Specific cooperative efforts between the FDIC, the Federal Reserve System and the Conference of State Bank Supervisors, such as GENESYS and ED, are aimed at developing a single product, which may be used by all federal banking agencies to perform safety and soundness examinations. ALERT, originally developed by the FDIC but used by other supervisors, can also be integrated with GENESYS and ED to create a more effective examination tool.

Verification and Validation

The number of examinations started, provided by FDIC Regional Offices will be compared to information from the Summary Analysis Examination Report (SAER) System.

The FDIC will perform 100% of examinations required by statutes, FDIC policy or state agreements. During 2000, it is projected that 2,788 examinations will be started, but this number may change due to the number of FDIC-supervised insured depository institution mergers, closings, newly approved charters or other acceptable reasons. The number of examinations started and the number of delinquent statutorily required examinations will be reported.

Impact of External Factors

Please refer to the Appendix of the Annual Plan for the specific narrative discussion of the following external factor(s) which might impact the achievement of the annual goal:

Year 2000 (C)
Economy (B)
Industry Consolidation (A)

Strategic Goal Insured depository institutions appropriately manage risk.

Annual Performance Goal Financial data provided to the public on insured depository institutions is maintained and enhanced.

Indicators and Targets 1. Adherence to publication schedule and schedule for update of system data.

- On-time publication of periodicals and Internet publications in accordance with established timeframes.

2. Release of database enhancements.

- Implementation of financial information database enhancements in accordance with established timeframes.

3. Identify alternatives for collecting user satisfaction data.

- Alternatives identified by December 31, 2000.

4. Number of hits and URLs on the Institution Directory System.

- Continue to build time series data on usage to evaluate user satisfaction.

Background The FDIC provides financial data on insured depository institutions to the public through publications, publicly available automated systems, the Internet, and through other media. The availability of financial data on insured depository institutions allows the public and other interested parties to assess how these institutions appropriately manage risk.

Means and Strategies

Risk Management – Safety and Soundness Business Process (22)

Operational Processes (initiatives and strategies): The FDIC designs and produces presentations of financial and demographic information for insured depository institutions that can be accessed through the FDIC's Web site. In 2000, a new system for disseminating this information, called Statistics on Depository Institutions (SDI), will be developed, tested and implemented.

The SDI System will integrate the existing Institution Directory (ID) system with the other data, including the Statistics on Banking. The current ID system provides financial information on any FDIC-insured depository institution via the Internet and enables users to compare individual banks with industry peer groups and industry analysis published in the FDIC *Quarterly Banking Profile*.

The new SDI System will provide basic financial data on all insured depository institutions – including performance and condition ratios, demographic information such as location, charter type, holding company affiliation, and insurance fund membership – in conjunction with aggregated condition and income data and other information. Additionally, SDI will allow users to create their own custom peer groups and will provide more extensive information on the banking and savings association industries.

The FDIC will produce and disseminate bank financial data, including: the Research Information System (RIS), Institution Directory (ID), Statistics on Depository Institutions (SDI), and the Quarterly Banking Profile (QBP) which provides the earliest comprehensive report card on the health of the commercial banking industry and the savings association industry.

Other related products that are publicly available include the Summary of Deposits (SOD), which includes information on more than 83,000 deposit-taking offices operated by FDIC-insured institutions to facilitate competitive and market share analysis; Historical Statistics on Banking, which provides annual data beginning in 1934 to enable the identification of longer-term trends in the banking industry; and the Survey of Real Estate Trends, which is a quarterly survey on real estate market conditions across the United States.

By using the Internet to provide information and collect data from banks, FDIC is keeping pace with technological developments within the industry and ensuring that the widest possible audience has access to information that can assist in identifying emerging risks.

Technology: In 2000, The Statistics on Depository Institutions system will be developed, tested and implemented.

Crosscutting Efforts: The FDIC will continue to work in cooperation with the other federal banking agencies, including specifically the FFIEC's Information Sharing Taskforce, to develop and or enhance publicly available systems. The Corporation will continue to use the Internet to provide publicly available financial and other information about insured depository institutions needed to promote market discipline.

Verification and Validation

The FDIC monitors the effectiveness of the ID System by tracking various types of Internet-related statistics and the system's overall "user friendliness". Several key statistics that are monitored include the number of logical pages delivered, the number of unique Internet Protocol addresses that access the ID system (measures the number of unique users), the number of external users and the number of users within the FDIC. These statistics are monitored regularly and provide a measure of system performance and provide information on how quickly customers receive their desired information.

E-mail access is provided within the ID System to report possible system problems and to facilitate consumer opinions and recommendations regarding the ID System and its enhancements. The FDIC also consults regularly with the other federal banking agencies, banker groups, state authorities and other interested parties concerning the usefulness of the ID System.

Impact of External Factors

None identified at this time.

Strategic Goal Insured depository institutions appropriately manage risk.

Annual Performance Goal Through a combination of on-site assessments and off-site contacts, monitor FDIC-supervised insured depository institutions, and those service providers and software vendors that the FDIC is responsible for examining, as they enter the new millennium to determine what, if any, Y2K-related problems they may be experiencing. Appropriate follow-up taken on all Y2K-related problems.

Indicators and Targets 1. Contact made with all FDIC-supervised institutions.

- January 1-5, 2000.

2. All Y2K-related issues are resolved.

- June 30, 2000.

Background The FDIC monitored, assessed and reported on the overall health of FDIC-supervised insured depository institutions, service providers and software vendors that the FDIC is responsible for examining in 2000 to ensure there were no problems with the century date change. The year-end 1999/early 2000 Y2K rollover period occurred without any material or adverse developments. A few minor issues occurred and were resolved in the ordinary course of business.

Means and Strategies

Risk Management – Safety and Soundness Business Process (22)

Operational Processes (initiatives and strategies): From January 1 through January 5, 2000, the FDIC or the appropriate state authority contacted 100% of FDIC-supervised institutions, service providers and software vendors to determine if there were any Y2K-related problems. There were no material or adverse Y2K-related problems. The FDIC will activate, to a reduced level, the event management process to determine if any residual Y2K-related issues arise during the leap year period in late February 2000. Any issues will be resolved through the normal bank supervisory process.

Through June 30, 2000, health checks will be performed on FDIC-supervised institutions, service providers and software vendors as needed or as part of the supervisory process. With the exception of additional vigilance during the leap year period, the event management structure that was in place during the rollover period will be dismantled.

Crosscutting Efforts: The means and strategies for this annual goal include activities conducted with state authorities.

Verification and Validation The FDIC's internal Year 2000 tracking system and reports provided by the Regional Offices are used to monitor Year 2000 health check results. Reports will be provided which discuss aggregate results, details about problem institutions and follow-up actions taken.

Impact of External Factors None identified at this time.

Strategic Goal Problem insured depository institutions are recapitalized, merged, closed or otherwise resolved.

Annual Performance Goal Prompt supervisory actions are taken to address problems identified during the FDIC examination of institutions identified as problem insured depository institutions. FDIC-supervised insured depository institution compliance with formal and informal enforcement actions is monitored.

Indicators and Targets 1. Number of days from time examination report is received by the Regional Office, processed and mailed to the institution.

- 45-day average from the time an examination report is received, processed and mailed.

2. Number of months from last examination until a follow-up examination is conducted.

- Follow-up examination conducted within 12 months after last examination.

Background Through on-site safety and soundness examinations of FDIC-supervised insured depository institutions, the FDIC identifies those institutions that operate in a weakened or an unsafe and unsound condition or with unsafe and unsound practices. The FDIC's actions may include informal or formal enforcement actions against the institution or responsible individuals to address these identified problems.

Means and Strategies

Risk Management – Safety and Soundness Business Process (22)

Operational Processes (initiatives and strategies): Problem insured depository institutions are identified primarily through the examination process. These institutions generally operate in a weakened or an unsafe and unsound condition or with unsafe and unsound practices. The FDIC generally issues corrective actions to address weaknesses in problem FDIC-supervised insured depository institutions.

Most corrective actions are initiated as a result of facts gathered during the examination process. While reason and moral suasion are the primary corrective tools, the FDIC has been granted broad enforcement powers to correct practices, conditions or violations of law that threaten an insured depository institution's safety and soundness. Depending on the extent and severity of the identified problems, the FDIC may initiate informal or formal enforcement actions.

The FDIC generally uses informal enforcement actions to correct less severe problems that do not present an immediate threat to an FDIC-supervised insured depository institution's viability and when it is believed that corrective action will be taken without formal enforcement actions. Informal actions generally consist of commitments made by an insured depository institution's board of directors to correct identified problems. These may be unilateral commitments or commitments entered into jointly with the other federal banking agencies or state authorities or both. Informal actions may also include unilateral commitments by a bank to correct identified problems or joint "memorandums of understanding" between the bank and its primary federal supervisor.

The FDIC generally uses formal enforcement actions to address unsafe and unsound practices, to correct violations of law and to remove and or prohibit individuals that present an immediate threat to an insured depository institution's safety and soundness. Formal enforcement actions also can be pursued in the event an informal enforcement action proves to be ineffective in securing necessary corrective action. Formal actions are notices and orders issued against insured depository institutions and individuals. Compliance with these actions can be compelled through various legal remedies.

The FDIC closely monitors a FDIC-supervised insured depository institution or an individual's compliance with formal or informal enforcement actions or both. FDIC-supervised insured depository institution compliance with formal and informal enforcement actions is monitored through review of responses to examinations and other supervisory correspondence, review of any required progress reports, review of reports prepared by state authorities, the conducting of subsequent examinations or visitations or both and other procedures as appropriate.

Human Resources (staffing and training): The FDIC develops and maintains a highly skilled group of enforcement litigators nationwide, through a program of litigation skills training, developmental work assignments and mentoring by experienced enforcement lawyers. During 2000, the FDIC expects to continue these efforts and in particular to conduct more intensive and focused trial advocacy training directed specifically at administrative enforcement cases.

Technology: Technological developments in document imaging now allow cases to be conducted without the voluminous amount of paper (pleading, briefs, documentary evidence, etc.) usually associated with a courtroom proceeding. The FDIC will continue to use the imaging technology already on hand and will explore the feasibility of enhancing the technology for future use.

Crosscutting Efforts: The means and strategies for this annual goal include activities conducted with state authorities.

Verification and Validation

Monthly reports of problem institutions are system generated from the SAER System and are reviewed each month for accuracy. Reports provided by the regions regarding follow-up examinations will be compared to data on SAER. Since the examination report identifies supervisory actions, in order to ensure that supervisory actions are promptly taken, the FDIC will monitor the time it takes to provide FDIC-supervised institutions with the examination report. Additional reports will be generated from the SAER System to monitor the time it takes the Regional Offices to process examination reports for FDIC-supervised problem institutions.

The FDIC will also continue to utilize the Regional Office Internal Control Review program to ensure that the Regions are monitoring FDIC-supervised insured depository institution compliance with formal and informal enforcement actions. This review incorporates various components of the supervisory process, including assessment of the appropriateness, implementation and follow-up of formal and informal corrective actions. To achieve this goal, no material exceptions should be noted during the Regional Office Internal Control Reviews. In the event that material exceptions are noted, the scope of the review is expanded.

Impact of External Factors

None identified at this time.

Supervision Program: Consumer Rights

Strategic Result, Strategic Goals and 2000 Annual Performance Goals

Strategic Result	Strategic Goals	2000 Annual Performance Goals
Consumers' rights are protected and FDIC-supervised insured depository institutions invest in their communities	Consumers have access to easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws	Effectively respond to written and telephone complaints and inquiries related to deposit insurance and consumer protection laws within specified timeframes Effective outreach, technical assistance and training are provided on topics related to the Community Reinvestment Act (CRA) and community development
	FDIC-supervised insured depository institutions comply with consumer protection, CRA and fair lending laws	Compliance and CRA examinations are initiated in accordance with FDIC policy Prompt supervisory actions are taken on all institutions rated 4 and 5 for compliance to address problems identified during compliance examinations; compliance with those actions is monitored

Strategic Goal Consumers have access to easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws.

Annual Performance Goal Effectively respond to written and telephone complaints and inquiries related to deposit insurance and consumer protection laws within specified timeframes.

Indicators and Targets 1. Percent of responses to complaints and inquiries made in a timely manner.

- 100% of responses are made in accordance with policy.

2. Trend in delinquencies.

- Zero delinquencies.

3. Quality of responses is monitored through internal control reviews.

- No material exceptions noted.

Background Written and telephone complaints and inquiries that are responded to in an effective and timely manner result in consumers having access to easily understood consumer protection and fair lending information.

Means and Strategies

Consumer Affairs Business Process (33)

Operational Processes (initiatives and strategies): A primary tool used by the FDIC to deliver consumer protection information to banks and consumers is the toll-free Consumer Affairs Call Center. The Call Center provides recorded information 24 hours a day, seven days a week. Consumers and bank staff may call to request guidance, to request answers to questions about consumer protection rules, and to express complaints about financial institution matters. Written complaints and inquiries are received and responded to on the same issues.

The FDIC will employ three indicators to measure its success in effectively responding to complaints and inquiries within specified timeframes:

- The FDIC will report on the percent of responses to complaints and inquiries that are made within timeframes established by policy. The target will be to respond to 100% of complaints and inquiries within the timeframes established by policy.

- The FDIC will report on the number of complaints and inquiries that are not answered within timeframes established by policy. The target will be no delinquent responses.

- The FDIC will monitor the quality of service given to consumers' complaints and inquiries, through the internal control review process. The target will be no material exceptions noted.

The FDIC provides informational material through its Web site as a tool for the public to learn about consumer protection laws and the banking industry. Statistical information is reviewed periodically to determine how frequently consumer information located on the FDIC Web site is accessed.

As public awareness of the FDIC’s consumer services rises due to promotion of our services, the volume of complaints and inquiries will likely continue to rise. In 2000, total complaints and inquiries are projected at 175,000. The number of consumer and banker complaints and inquiries is tracked through the telephone management system and the Specialized Tracking and Reporting System (STARS).

FDIC employees will have to spend time learning about the Financial Services Modernization Act in order to be responsive to consumers' needs with respect to the new legislation's effect on consumer protection. In addition, FDIC staff may need to prepare educational materials (e.g. brochures, fact sheets, etc.) about the Act that can be easily understood by the public.

Human Resources (staffing and training): The FDIC will continue to rely on contractor support in the consumer affairs area to address increases in Call Center volume, consumer correspondence, and Internet inquiries. The additional support will allow the FDIC to respond to these issues in a more timely manner. The FDIC also will continue to rely on contractor support in its central credit card facility in the FDIC’s Kansas City Regional Office. The FDIC will increase efforts to acquire bilingual skills in permanent staff and contractors to improve responsiveness.

Technology: The FDIC will implement a new version of its telephone management system that provides an enhanced ability to monitor call activity and assist with call volume forecasting. The FDIC will also consider modifying the coding system in STARS, which is used to capture and report information about the nature of complaints and inquiries.

Crosscutting Efforts: The FDIC will participate in National Consumer Protection Week activities throughout the nation along with the other federal banking agencies.

Verification and Validation

The FDIC will analyze data collected in STARS and its telephone management system to determine if targeted performance levels were achieved. STARS is the primary system of record for capturing and reporting data on the FDIC's complaint and inquiry response activities. Information entered into STARS is drawn and analyzed in preparing the Quarterly Performance Report. During the analysis, staff performs checks of reasonableness on the data being reported. More important in maintaining the integrity of STARS data are the system edit checks and data field requirements designed to greatly reduce capturing inaccurate and illogical data. Periodically during system testing and internal control reviews, additional efforts will be made to determine if existing data verification and validation procedures and controls remain adequate.

As part of its internal control review program, the FDIC plans on developing procedures to determine that the quality of responses to consumers' complaints and inquiries are being monitored appropriately.

Impact of External Factors

Please refer to the Appendix of the Annual Plan for the specific narrative discussion of the following external factor(s) which might impact the achievement of the annual goal:

Year 2000 (B)
Economy (C)

Strategic Goal Consumers have access to easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws.

Annual Performance Goal Effective outreach, technical assistance and training are provided on topics related to the Community Reinvestment Act (CRA) and community development.

Indicators and Targets 1. Number of forums held in each Region related to financial literacy and predatory lending.

- One pilot forum on financial literacy and predatory lending held in each Region.

2. Survey forum participants to ascertain 1) their knowledge of predatory lending practices and 2) whether they are better informed about such practices at the conclusion of the forums.

- Establish baseline data.

Background The FDIC provides outreach efforts, technical assistance and training to insured depository institutions to assist institutions in complying with CRA and fair lending laws, and in identifying credit needs and community development opportunities. In 1999 the FDIC developed a strategic process to plan community development initiatives and to facilitate measuring the outcome of outreach efforts.

Means and Strategies

Consumer Rights – Outreach Business Process (32) *Operational Processes (initiatives and strategies*): The FDIC participates in community outreach activities, both in Washington and in the eight Regional Offices, with community-based organizations and with insured depository institutions. The FDIC participates in these activities either individually or in conjunction with other government agencies or public/private organizations. The activities are designed to increase awareness of community and economic development; increase knowledge of CRA regulations and fair lending laws; enhance lending, investment and service performance; and assist financial institutions in developing strategies to respond to credit, investment and service opportunities. In 2000, the FDIC anticipates conducting 164 activities related to its community affairs mission.

The Financial Services Modernization Act requires the FDIC to write regulations on disclosure of agreements made by financial institutions and community based organizations in connection with CRA. The new regulations could increase the number of outreach activities conducted by the FDIC.

The FDIC's Division of Compliance and Community Affairs has determined that the national focus for 2000 will be community development and the priority under this focus will be financial literacy and predatory lending. Financial literacy is aimed at educating people about basic financial services, informing the public that insured institutions are a good place to keep money and teaching people to become savvy about their personal finances. Predatory lending is when customers are enticed into transactions through various deceptive schemes and are charged higher interest rates and fees than necessary to cover the actual risks associated with their transactions. In particular, there is a concern that these practices have a disproportionately negative effect on under served low- and moderate-income borrowers, minority groups and the elderly who may be made vulnerable by the lack of credit availability, financial expertise or financial counseling.

The FDIC will employ two indicators to measure its success in providing effective outreach, technical assistance and training related to financial literacy and predatory lending:

- The FDIC will report on the number of forums held in each Region related to financial literacy and predatory lending. The target will be to conduct one pilot forum in each Region.

- To determine the effectiveness of the financial literacy and predatory lending project, forum participants will be surveyed to ascertain their knowledge of predatory lending practices and whether they are better informed about such practices at the conclusion of the forums. In 2000, baseline data will be established from which a performance improvement target can be set in future years.

Human Resources (staffing and training): The FDIC will support the continual development of the community affairs staff to ensure that these individuals have the technical knowledge, interpersonal skills and facilitation skills necessary to perform their role. Training priorities will include 1) clarifying interpretations of CRA regulations and fair lending laws and 2) gaining greater expertise in community and economic development.

Technology: The FDIC will continue to evaluate ways in which automation can be used to better address changes in the banking environment that affect community groups and outreach efforts. The FDIC is the lead federal banking agency in an interagency effort to develop a shared Community Contacts database. The database will provide the federal banking agencies with more efficient access to information about contacts made with community-based organizations. The database will put community contacts information in the hands of examiners in a timely manner.

The Financial Services Modernization Act requires the FDIC to write regulations on disclosure of agreements made by financial institutions and community based organizations in connection with CRA. This obligation may require changes in FDIC systems in order for the Corporation to collect and report on the agreements.

Crosscutting Efforts: The FDIC will continue to participate in community outreach activities with the other federal banking agencies whenever possible in order to maximize financial and human resources and to reach the broadest base of insured depository institutions, community organizations and consumers.

Initiatives in which the Regional Offices are currently involved in planning and organizing will continue in 2000. Other ongoing work products include the interagency Community Contacts Database, the Interagency Microenterprise Workgroup "Success Stories" publication, and the "Rural Affordable Housing Workshop" series.

Verification and Validation

Outreach activities will be monitored to determine if the forums on financial literacy and predatory lending are effective in increasing awareness on this issue. The FDIC also plans on developing procedures to determine that results of surveys given at the forums are being analyzed appropriately.

Impact of External Factors

None identified at this time.

Strategic Goal FDIC-supervised insured depository institutions comply with consumer protection, CRA and fair lending laws.

Annual Performance Goal Compliance and CRA examinations are initiated in accordance with FDIC policy.

Indicators and Targets

1. Percent of projected examinations started.

- 100% of projected examinations started.

2. Trend of delinquent examination starts.

- Zero delinquencies.

Background Compliance and CRA examinations of FDIC-supervised insured depository institutions are the mechanism by which institutions' compliance programs are evaluated and CRA performance is assessed. The frequency of examinations that the FDIC initiates is established annually by FDIC policy and by law; over the past two years, FDIC has either met or exceeded its target for initiating examinations.

Means and Strategies

Consumer Rights – Supervision and Regulation Business Process (31)

Operational Processes (initiatives and strategies): The FDIC determines whether FDIC-supervised insured depository institutions comply with consumer protection and fair lending laws, including CRA regulations, by conducting on-site compliance and CRA examinations, fair lending and other investigations and periodic visitations.

The FDIC will employ two indicators to measure its success in initiating compliance and CRA examinations in accordance with policy:

- The FDIC will report the percent of projected examinations started. The target will be to start 100% of its projected examination workload.

- The FDIC will report on the trend of delinquent examination starts. The target will be zero delinquencies.

The FDIC has addressed all of its required examination workload and eliminated the backlog of delinquent examinations by year-end 1999. At any given time, the FDIC may defer examinations from the stipulated examination frequency schedule as a result of requests to perform concurrent compliance and CRA examinations with safety and soundness or other targeted examinations, agreements with state authorities, and pending mergers or consolidation.

The Financial Services Modernization Act has lengthened the FDIC's existing CRA exam schedule for institutions rated satisfactory or outstanding. A bank or savings association’s CRA record is described by one of four ratings – “outstanding”, “satisfactory”, “needs to improve” and “substantial noncompliance”. In 2000, the FDIC will review the examination frequency policy and make changes as appropriate to conform with the new law. The projected number of joint compliance and CRA examinations to be conducted in 2000 is 450. An additional 1,200 compliance activities such as examinations, visitations and interim monitoring will be conducted on an annual basis over the next five years.

In addition to altering the frequency of examinations conducted by the FDIC, the Financial Services Modernization Act also affects the scope and duration of examinations. Ensuring compliance with new regulations mandated by the Act dealing with consumer privacy and the sale of insurance products by insured depository institutions will need to be included in examinations. Amendments to the Fair Credit Reporting Act and the Electronic Funds Transfer Act may also affect the scope and duration of examinations conducted. These business changes may also require new enhancements to examination software applications and management reporting tools.

With the changes in the banking industry, the FDIC’s compliance and CRA examination structure will also be re-evaluated. As a result of consolidation, there are fewer banks and savings associations and these assets are more concentrated in the largest institutions. Due to legislative and regulatory changes, banks and savings associations engage in an expanding array of activities. As a result of technological advances an increasing number of banks and savings associations are conducting business over the Internet, by telephone, and by mail. During 2000, the FDIC will evaluate its structure to ensure that it is organized appropriately to supervise bank and savings association compliance with laws and regulations.

Human Resources (staffing and training): The FDIC will take steps to augment the FDIC's expertise in the areas of fair lending and CRA. The FDIC plans to develop an internal network of fair lending and CRA experts that will be called on to offer advice early in any examination in which extraordinary findings are evident. The FDIC also plans to add additional fair lending and CRA expertise in the FDIC's Washington Office to work with and further develop the expertise of existing Washington and Regional Office staff working in those areas.

As industry consolidation continues and the FDIC studies flexiplace and other concepts identified in the FDIC's Diversity Strategic Plan, the FDIC may reallocate Regional and Field Office staff as necessary. This may include the realignment of Regional and Field Office locations.

During 2000, the FDIC will begin an analysis of its current examiner curriculum with the help of its subject matter experts and staff from the FDIC's Training and Consulting Services Branch. Based on the analysis of current job requirements and needed curriculum content, the FDIC's National Training Committee will make recommendations for enhancements to the curriculum as deemed appropriate, as well as estimated resource needs. The analysis will ensure the curriculum continues to match current examination job requirements, incorporates enabling technologies and diversity concepts and allows for consistent yet flexible training for all examiners.

Technology: In 2000, a major replacement is planned for the FDIC's current system of record for compliance exams. The new system, the System of Uniform Reporting of Compliance and CRA Examinations (SOURCE), will provide improved and new capabilities for scheduling and tracking bank compliance examinations, support for pre-examination planning and management information. SOURCE will be the electronic system of record for the FDIC's compliance and CRA examination information, including historical data for compliance and CRA ratings.

In order to access information on compliance and CRA examinations, the FDIC uses the Management Reporting System (MRS). MRS was implemented in 1999 and serves as an Internet-based source of compliance and CRA reporting that accesses over seven databases to produce summary and detailed reports.

Enhancements may be required to examination software applications and management reporting tools as a result of new provisions in the Financial Services Modernization Act affecting examination scheduling, scope, and procedures.

Crosscutting Efforts: The FDIC coordinates with the other federal banking agencies in developing uniform examination procedures for compliance and CRA examinations. Data are routinely shared with the other federal banking agencies and state authorities. The FDIC's Division of Compliance and Consumer Affairs exchanges examination information on the scheduling of compliance and CRA examinations with the FDIC's Division of Supervision, which is responsible for conducting safety and soundness examinations, to ensure coordination of examinations.

There are no immediate or formal plans for interagency examination procedures training for 2000. However, in the past, OTS employees and state bank examiners have attended FDIC's compliance courses. Employees from the other federal baking agencies are welcome to attend FDIC's compliance courses based on availability.

Verification and Validation

To verify and validate performance data, the FDIC analyzes examination-related data collected in the Compliance Statistical System (CSS) to determine if targeted performance levels were achieved during the reporting period. CSS is the primary system of record for capturing and reporting data on the FDIC's compliance and CRA examination activities. Examination-related information is entered into CSS by Regional and Field Office staff. Data are then downloaded and analyzed. During the analysis, the FDIC performs checks of reasonableness on the data reported. More important, however, in maintaining the integrity of CSS data are the system edit checks and data field requirements. These system features were designed to greatly reduce capturing inaccurate or illogical data. Periodically, during system testing and internal control reviews, additional efforts will be made to determine if existing data verification and validation procedures and controls remain adequate.

Impact of External Factors

None identified at this time.

Strategic Goal FDIC-supervised insured depository institutions comply with consumer protection, CRA, and fair lending laws.

Annual Performance Goal Prompt supervisory actions are taken on all institutions rated 4 and 5 for compliance to address problems identified during compliance examinations; compliance with those actions is monitored.

Indicators and Targets 1. Number of days from the time the examination report is received by the Regional Office, processed and mailed to the institution.

- 45-day average after the examination report is received by the Regional Office.

2. Number of months from the date of a formal enforcement action until a follow-up examination activity is conducted.

- A follow-up examination activity is conducted within 12 months from the date of a formal enforcement action.

Background Ratings for compliance range from 1 through 5, with 1 being the most favorable rating. When examinations reveal weaknesses in an institution's compliance program, measures are developed by the examination staff to target the areas in need of corrective action. These measures are designed to meet the severity of the problems identified through the examination process.

Means and Strategies

Consumer Rights – Supervision and Regulation Business Process (31)

Operational Processes (initiatives and strategies): The FDIC devotes resources toward ensuring that FDIC-supervised insured depository institutions understand and comply with consumer protection, fair lending laws and CRA. As a result of compliance examinations, violations with consumer protection and fair lending laws are identified. When these violations are significant or repetitive, the FDIC will implement formal or informal corrective actions in the form of Board Resolutions, Memorandums of Understanding, Cease and Desist Orders and assessment of Civil Money Penalties.

The FDIC will employ two indicators to measure its success in taking prompt supervisory action and monitoring those actions:

- The FDIC will report on the number of days from the time the examination report is received by the Regional Office, processed and mailed to the institution. The target will be a 45-day average after the examination report is received by the Regional Office.

- The FDIC will report on the number of months from the date of a formal enforcement action until a follow-up examination activity is conducted. The target will be to conduct a follow-up examination activity within the next 12 months.

As necessary, the FDIC will prosecute enforcement cases to correct violations of, and achieve compliance with, consumer protection and fair lending laws.

The FDIC uses MRS and other examination-generated reports to analyze data from examinations to determine what problems were identified and what corrective measures were taken as a result. Trend analysis is performed to determine if institutions are improving their compliance posture.

The FDIC also uses the Formal and Informal Action Tracking (FIAT) System as the system of record for monitoring all enforcement action activity. FDIC's system administrators, prior to the generation of quarter-end reports, validate the overall integrity of the system each quarter. Many of the system-generated reports are specifically designed to detect data integrity errors.

Human Resources (staffing and training): The same resources are used to meet this goal as are used to meet the previous goal on initiating compliance and CRA examinations.

Technology: In order to access information on compliance and CRA examinations, the FDIC uses MRS. MRS serves as an Internet-based compliance reporting system that accesses over seven FDIC databases to produce summary and detailed reports, including the database system which tracks enforcement actions.

Crosscutting Efforts: The FDIC will continue to work with the other federal banking agencies to develop interagency supervisory policies and procedures for compliance and CRA issues. The FDIC will also continue interagency coordination with non-federal banking agencies at federal and state levels to achieve cooperation on compliance issues of interest to those agencies.

Verification and Validation

The FIAT System is the system of record for monitoring all enforcement action activity. The FDIC's system administrators, prior to the generation of quarter-end reports, validate the overall integrity of the data each quarter. Many of the system-generated reports are specifically designed to detect data integrity errors.

Impact of External Factors

None identified at this time.

RECEIVERSHIP MANAGEMENT PROGRAM

Program Description

The Receivership Management Program is designed to ensure that the claims of creditors are satisfied consistent with applicable law and the resources of individual receivership estates.

The FDIC resolves failing insured institutions in the least costly manner. The FDIC is proactive in identifying troubled insured depository institutions and begins its resolution efforts, such as valuing assets and identifying potential purchasers of these institutions, before the institutions fail. At failure the FDIC is appointed receiver and succeeds to the rights, powers, and privileges of the insured depository institution and its stockholders, officers and directors.

Once the FDIC is appointed as receiver for any insured depository institution, the FDIC assumes the responsibility to marshal the institution's assets for the benefit of the creditors. Typically, after fulfilling its obligation as deposit insurer, the FDIC is the largest creditor. The receiver manages and sells assets through a variety of strategies and identifies and collects monies due the receivership estate. In addition, the receiver pays the obligations of the failed institution with the funds it recovers.

To keep pace with the evolving banking industry while the FDIC continues to decrease in size, it has been extremely important that the Corporation take steps to ensure its readiness, i.e., its ability to handle prospective failures. The FDIC has developed contingency plans to ensure that the FDIC is prepared to handle a failure of a large bank or simultaneous, multiple failures should they occur. Integral to our planning is the need to ensure that appropriate resources (staffing and expertise) are available to resolve failures under several planning scenarios. This will include the continuing development and update of contingency plans, maintenance and update of policies and procedures, retention and development of the necessary functional expertise, and the development of the necessary infrastructure. An important part of our initiatives during 2000 will be the implementation of an exhaustive cross-training program. Significant training resources (time and investment) will be expended on classroom, computer-based and on-the-job training designed to broaden and enhance employee knowledge and skills to meet short and long term planning needs. Longer-term training will be implemented around the middle of the Year 2000.

Resource Requirements

Below are the budgeted dollars (in millions) aggregated by strategic goal within the Receivership Management Program. The inclusion of budgeted dollars reflects the level of FDIC funding dedicated to the achievement of the strategic goals and includes, but is not limited to, the amount of resources required to achieve the annual performance goals within the Receivership Management Program.

***Strategic Goal* –** Failing insured depository institutions are resolved in the least-costly manner in accordance with law.	**$22.9**
***Strategic Goal* –** Receivership assets are managed and marketed to maximize net return.	**200.9**
***Strategic Goal* –** Professional liability and other claims of the receivership are pursued in a fair and cost effective manner.	**32.5**
***Strategic Goal* –** Receivership claims and other liabilities are resolved in a fair and cost effective manner.	**27.7**
TOTAL for Receivership Management Program	**$284.0**

Receivership Management Program

Strategic Result, Strategic Goals and 2000 Annual Performance Goals

Strategic Result	Strategic Goals	2000 Annual Performance Goals
Recovery to creditors of receiverships is achieved	Failing insured depository institutions are resolved in the least-costly manner in accordance with law	Market to all known qualified and interested potential assuming institutions
	Receivership assets are managed and marketed to maximize net return	Market 80% of a failed institutions assets to franchise and non-franchise investors within 90 days of resolution
	Professional liability and other claims of the receivership are pursued in a fair and cost effective manner	Investigations are conducted into all potential professional liability claim areas in all failed insured depository institutions, and a decision to close or pursue each claim will be made within 18 months after the failure date in 80% of all investigations
	Receivership claims and other liabilities are resolved in a fair and cost effective manner	Achieve a 35% reduction in the number of active receiverships in 2000 50% of the non-asset defensive litigation cases in inventory as of January 1, 2000 are resolved through negotiated settlement or completed litigation

Strategic Goal Failing insured depository institutions are resolved in the least-costly manner in accordance with law.

Annual Performance Goal Market to all known qualified and interested potential assuming institutions.

Indicator and Target List of qualified and interested bidders.

- 100% of all known qualified and interested bidders.

Background The FDIC believes that competition is a key factor in our ability to resolve failing institutions in the least-costly manner. While cognizant of confidentiality concerns, the FDIC markets the deposits and assets of the failing institutions to all known qualified and interested potential assuming institutions, in an attempt to stimulate as much competition as possible.

Means and Strategies

Failing Institutions – Assistance Agreements and Resolutions Business Process (41)

Operational Processes (initiatives and strategies): The FDIC begins the marketing process with an assessment of the assets and liabilities of the failed institution. From this review and assessment, the FDIC develops an Asset Valuation Review (AVR) and an Information Package (IP). The AVR is used internally by the FDIC for determining the value of the assets, while the IP is used as a marketing tool, and is sent to all interested potential assuming institutions.

The FDIC's Division of Supervision maintains a list of qualified and interested potential acquirers, consisting of financial institutions and private investors. In preparing the list for the failing institution, the FDIC takes into account the failed institution's geographic location, competitive environment, minority-owned status, overall financial condition, asset size, capital level and regulatory ratings. Using the list, the FDIC contacts the potential acquirers' and holds an informational meeting. Potential bidders are then given the opportunity to conduct due diligence of the failing institution's assets and liabilities, prior to submitting their bid(s).

Technology: The FDIC will continue to develop and refine resolution and marketing techniques, especially utilizing new technologies such as imaging, in order to make the marketing process more efficient in terms of time and cost. This will allow the FDIC to increase the participation of potential bidders.

Verification and Validation The franchise marketing process is tracked through the FDIC's Overarching Automation System (OASIS).

Impact of External Factors Please refer to the Appendix of the Annual Plan for the specific narrative discussion of the following external factor(s) which might impact the achievement of the annual goal:

Economy (D)

Strategic Goal Receivership assets are managed and marketed to maximize net return.

Annual Performance Goal Market 80% of a failed institution's assets to franchise and non-franchise investors within 90 days of resolution.

Indicator and Target Percent of asset book value marketed within 90 days of resolution.

- 80% of book value at resolution.

Background The FDIC believes that the timely marketing of a failed institution's assets at or shortly after resolution allows it to maximize its net return. It is generally believed that the FDIC receives more value when banking assets are transferred back to the private sector at or shortly after resolution. This is because of less disruption in the servicing of the assets and because borrowers have greater incentives to resolve problem assets with an open, ongoing insured depository institution, which can provide them with an ongoing business relationship. In addition, holding costs for the FDIC are minimized.

The targeted marketing percentage of 80 % and time frame was selected in light of historical experience. Experience has shown that certain assets typically are not suitable for sale at or shortly after resolution. In addition, marketable assets remaining after resolution are typically serviced and marketed from the receivership site for up to ninety days.

Means and Strategies

Asset Management Business Process (61) *Operational Processes (initiatives and strategies):* The FDIC prepares information packages and asset valuation reviews for each failing insured depository institution to assist in the sale of assets at resolution or shortly thereafter. FDIC attorneys assist in the marketing process by providing advice and other legal services in support of asset servicing and asset marketing and disposition activities.

For specific asset disposition and asset marketing decisions, FDIC uses the Standard Asset Valuation Estimation (SAVE) methodology to value most assets. The FDIC will continue to develop and refine strategies to market assets quickly and efficiently. The valuation methodology and assumptions used to value assets will be maintained and updated.

Technology: In 2000, the Consolidated Asset Systems Modernization Project (CAMP) will result in the completion of the integration of the FDIC's major credit applications, i.e., Asset Marketing System, Credit Notation System, and the Owned Real Estate System. This will include the Standard Asset Valuation Estimator methodology and the support of the Assumptions Validation Improvement System into the current architecture and database structure of the National Inventory System.

Verification and Validation Asset disposition is tracked through the FDIC's Asset Information Management System (AIMS) and the National Asset Inventory System (NAIS).

Impact of External Factors In a failed insured depository institution where fraud is prevalent, the FDIC's ability to market receivership assets may be impaired. In instances where failure is sudden, such as a failure caused by a rapid lack of liquidity, and where the asset valuation review and pricing of assets cannot be accomplished by the FDIC prior to failure, the Corporations ability to market 80% of the assets may be impaired.

Strategic Goal Professional liability and other claims of the receivership are pursued in a fair and cost effective manner.

Annual Performance Goal Investigations are conducted into all potential professional liability claim areas in all failed insured depository institutions, and a decision to close or pursue each claim will be made within 18 months after the failure date in 80% of all investigations.

Indicator and Target Percent of claims decided within 18 months and number of investigations.

- Decision made to pursue each claim within 18 months in 80% of the investigations.

Background In general, the FDIC believes that prompt investigation and evaluation of potential claims enhance the fairness of the process and lead to more cost-effective results.

Most professional liability claims have a three-year statute of limitations. Striving to make a decision to pursue or close a claim within 18 months provides assurance that FDIC will have ample time to pursue those claims that are valid and cost effective. However, in order to investigate potential claims properly, FDIC must explore the events and circumstances related to losses suffered by failed institutions. Experience has shown that certain institutions generate potential claims that are particularly complex and time-consuming to investigate and evaluate. The target completion percentage and time frame were selected in light of historical experience. In the FDIC's judgment, they represent reasonable targets given the nature and size of expected workloads and the need for careful review of all professional liability claim recommendations by FDIC's senior management.

Means and Strategies

Professional Liability Investigations and Litigation/Criminal Support Business Process (66)

Operational Processes (initiatives and strategies): The FDIC's attorneys and investigators work together to assure that valid claims arising from a failure of an insured institution are properly pursued. A factual investigation of the events that contributed to losses at the institution is conducted as well as legal research and analysis of the facts and potential claims. Additional analysis is conducted to determine the likelihood of a recovery in excess of estimated costs of pursuing claims. Finally, a memorandum recommending that claims be pursued or that an investigation be closed is prepared for the appropriate level of approval.

Human Resources (staffing and training): As the number of open receiverships declines both workload and staff size will continue to decline. The FDIC will provide staff attorneys training in the necessary litigation skills, and as the caseload is reduced, the FDIC expects an increasing proportion of litigation tasks to be handled in-house.

In addition, as the banking industry continues to evolve, FDIC attorneys and investigators will face new challenges in analyzing the potential liability of directors, officers and other professionals. The FDIC will provide training to its attorneys and investigators in the substantive aspects of these new and evolving claims areas.

Technology: The FDIC will explore whether and how document imaging technology can:

- Better enable the FDIC to make well informed decisions on whether to pursue litigation;
- Enhance document integrity and the sharing of documents within the FDIC and with the other federal agencies as appropriate;
- Reduce costs associated with investigating, evaluating and pursuing claims; and
- Support the litigation requirements of claims that are to be pursued.

Verification and Validation

Data necessary to track fail dates of insured depository institutions, potential statute of limitations expiration dates and other pertinent dates is routinely collected and stored in FDIC systems, specifically the Legal Management Information System (LMIS), the Professional Liability Case Tracking System and the Division of Liquidation Locator and Reporting System. Status information and decision events are also input for each matter on a current basis. Periodic data scrubs and audits are also conducted to ensure accuracy and currency of information. Consistent maintenance of these systems ensures that accurate data needed to measure compliance with the annual performance goal is readily available.

The target completion percentage and time frame was selected in light of historical time lines and investigation completion experience. The targets reflect the three-year statute of limitations applicable to most professional liability claims. It represents a judgement that this annual performance goal, although somewhat more aggressive than past experience alone would indicate, contains reasonable targets given the nature and size of current workload and the need for careful review of all professional liability case and claim recommendations by the FDIC's senior management.

Impact of External Factors

The failure of a larger, more complex insured depository institution, with more diverse product lines and businesses, will present investigation issues not presented in the typical failure situation and could have an impact on the FDIC's ability to achieve this annual performance goal.

Strategic Goal Receivership claims and other liabilities are resolved in a fair and cost effective manner.

Annual Performance Goal Achieve a 35% reduction in the number of active receiverships in 2000.

Indicator and Target Number of receiverships terminated.

- 35% reduction in the number of active receiverships.

Background The reduction in the number of active receiverships is an overall indicator that claims and other liabilities have been resolved, and results in lower costs to the receivership. The target inactivation percentage is based on an exhaustive review of the status of each active receivership and the identification and review of outstanding claims, liabilities, and other impediments.

Means and Strategies

Receivership Liabilities and Terminations Business Process (67)

Operational Processes (initiatives and strategies): The FDIC will pursue the ongoing termination of receiverships not affected by goodwill claims, consistent with its responsibility to maximize returns to the receivership creditors and minimize the risk to the deposit insurance funds. This includes:

- Processing uninsured and general trade creditor claims, including determining the validity of such claims;
- Addressing receivership claims, legal impediments to termination and prudential mootness issues;
- Providing legal services, including documentation and advice, in support of the termination of receiverships;
- Ensuring that pending and potential litigation is cost effective or is justified by policy considerations;
- Determining that funds are available for dividend distribution;
- Responding to creditors and other stakeholders in a fair and equitable manner; and
- Maintaining, reviewing, and updating as necessary the Claims and Termination Manuals.

In 2000, the FDIC will continue to implement and refine its receivership oversight program to foster an efficient and responsible business approach to receivership management. This business approach focuses on the economics of each receivership, through the establishment of unique business plans, the monitoring of performance, and timely termination. During 2000, the FDIC plans to make an exhaustive review of public and private financial receivership oversight processes in order to identify possible improvements, including the development of new and improved performance standards.

Technology: The Receivership Liability System (RLS) supports the FDIC in the closure of failed insured depository institutions and subsequent receivership resolution activities such as claims processing. During 2000, two versions of RLS will be developed. Planned enhancements include the incorporation of brokered account processing, unclaimed depositor tracking, and development of a Web-enabled receivership data warehouse.

Verification and Validation This measure is tracked through the Receivership Tracking System and the Financial Information Management System.

Impact of External Factors Please refer to the Appendix of the Annual Plan for the specific narrative discussion of the following external factor(s) which might impact the achievement of the annual goal:

Economy (E)

Strategic Goal Receivership claims and other liabilities are resolved in a fair and cost effective manner.

Annual Performance Goal 50% of the non-asset defensive litigation cases in inventory as of January 1, 2000 are resolved through negotiated settlement or completed litigation.

Indicator and Target Number of non-asset defensive litigation cases resolved.

- 50% of cases in inventory.

Background Non-asset defensive litigation (NADL) cases involve instances where the FDIC is the defendant and does not have much control over the litigation. These cases can be time consuming, costly, and be an impediment to the termination of the receivership. However, many of these cases can be resolved through means other than litigation, and this goal emphasizes resolving these matters expeditiously through alternative means.

The resolution of 50% of the cases was selected because it was considered to be an aggressive target that would assist in the FDIC's ultimate goal of reducing impediments to terminating receiverships.

Means and Strategies

Receivership Liabilities and Terminations Business Process (67)

Operational Processes (initiatives and strategies): Non-asset defensive litigation involves claims that have already been reviewed during the administrative claims process, and which were either rejected or allowed in an amount which was unacceptable to the claimant. NADL cases are periodically reviewed to provide the FDIC staff the opportunity to review litigation strategy and assess the possibilities of prompt resolution through litigation or settlement. The evaluation of claims leads to the creation of appropriate reserves and realistic predictions about likely liability exposure and anticipated costs.

FDIC attorneys represent the Corporation in all aspects of claims-related receivership litigation. In meeting the goal of resolving 50% of NADL cases, FDIC attorneys will defend all these cases and all appeals from such cases. In addition, FDIC expects that participation in the Alternative Dispute Resolution process will aid substantially in achieving the FDIC's target for resolving NADL cases.

Technology: The FDIC will explore whether and how litigation support technology could aid in the FDIC's effort to have more litigation tasks handled by FDIC attorneys, or to reduce certain costs of litigating our cases.

Verification and Validation Data necessary to track the status of non-asset receivership claims and pertinent dates, such as the dates and facts of settlements or resolution claims, is routinely collected and stored in FDIC tracking systems, specifically LMIS and the Receivership Tracking System. The FDIC prepares monthly reports in hard copy and spreadsheet format listing all active NADL cases by Financial Institution Number and giving the reserve for potential loss for each case. Periodic data scrubs and audits are also conducted to ensure accuracy and currency of information. Consistent maintenance of these systems will ensure that accurate data needed to measure compliance with the annual performance goal is readily available.

Impact of External Factors By its nature, defensive litigation cannot be "controlled" by the defendant. Unreasonable demands by a plaintiff may delay resolution of a non-asset defensive litigation case.

EFFECTIVE MANAGEMENT OF STRATEGIC RESOURCES

Program Description

A number of key resources are essential to the achievement of the FDIC's mission. The FDIC has established as its *basic operating principle* that it will effectively manage these critical resources in order to accomplish the annual performance goals set forth in the Plan. To that end, the FDIC will pursue the following over the next year:

- Maintain and disseminate reliable information;
- Utilize information technology to support the Corporation's strategic direction and annual performance objectives;
- Maintain a professional, efficient and highly skilled workforce;
- Maintain a strong program of internal controls and risk management.

The strategic result to be realized from effective management of these strategic resources will be that Corporate resources are effectively managed.

Effective Management of Strategic Resources

Operating Principle, Resource Goals and 2000 Annual Performance Goals

Operating Principle	Resource Goals	2000 Annual Performance Goals
Corporate resources are managed effectively to enable the Corporation to fulfill its mission	Sufficient and reliable information is maintained and disseminated	Economic analysis is conducted of, and reports are produced on, major public policy issues (e.g., industry consolidation, financial modernization and globalization) facing the Corporation and the industry The components of FDIC's core business processes and the interconnections among them are identified and evaluated to improve processes and respond to the changing financial industry
	Information technology is provided to support the Corporation's strategic direction and annual performance objectives	*The annual goal related to information technology (information systems security) is reflected below as an internal control initiative for 2000.*
	The FDIC's workforce is professional, efficient and highly skilled	A Corporate strategy is developed to ensure that a new generation of managers and senior professionals is prepared to assume future leadership positions within the Corporation The Corporate diversity strategic plan is implemented according to schedules as published in the plan
	The FDIC has a strong internal control and risk management program	Weaknesses are identified, resolved on or before the estimated completion date and are not repeated FDIC's Corporate-wide information resources security program is strengthened

Resource Goal Sufficient and reliable information is maintained and disseminated.

Annual Performance Goal Economic analysis is conducted of, and reports are produced on, major public policy issues (e.g., industry consolidation, financial modernization and globalization) facing the Corporation and the industry.

Indicator and Target Analyses and studies are conducted on relevant public policy issues and are disseminated in the FDIC Banking Review, the FDIC's Division of Research and Statistics (DRS) Working Paper Series, unpublished internal reports and memoranda or by other appropriate means.

- Analyses and studies are completed and results have been detailed in final written form on all relevant public policy issues as assigned by the FDIC's Chairman or requested by the Congress. Additional FDIC DRS self-generated studies on other relevant public policy issues that are of compelling interest to the Corporation are completed.

Background The completion and dissemination of economic analysis and studies on relevant public policy issues helps ensure that sufficient and reliable information is available to the FDIC. The maintenance and dissemination of such analyses and information facilitates the Corporation's understanding of public policy issues and its ability to fulfill its mission.

Means and Strategies

Corporate Program Support Business Process (71)

Operational Processes (initiatives and strategies): The FDIC will conduct economic analyses and studies on relevant public-policy issues, and the results will be disseminated through publications to the industry. Many times, these projects tend to be of an immediate nature assigned by the FDIC's Chairman or occasionally requested by the Congress. The FDIC follows many of the same steps that it would on other analytical projects, from careful framing of the question, to consultation with interested parties, solid research and methodological techniques.

Depending upon the specific project, in-depth knowledge of the banking industry, economics, finance, data sources, statistical sampling methodologies, technical fields and knowledge of the data may be crucial. The appropriate mix of the FDIC's economic, statistical and financial staff expertise is allocated to the assignment. Draft reports are prepared and circulated for peer review within the FDIC. The revised research or analytical product is then circulated to interested parties.

Verification and Validation Analyses and studies on relevant public policy issues, as assigned by the FDIC's Chairman or requested by the Congress, will be completed and disseminated in the FDIC Banking Review, the FDIC's DRS Working Paper Series, unpublished internal reports and memoranda, or by other appropriate means. Further, FDIC staff will have completed additional, self-generated studies on other relevant public policy issues that are of compelling interest to the Corporation. Compliance with deadlines for intermediate products and other targets associated with this annual goal will be monitored as appropriate.

Impact of External Factors None identified at this time.

Resource Goal Sufficient and reliable information is maintained and disseminated.

Annual Performance Goal The components of FDIC's core business processes and the interconnections among them are identified and evaluated to improve processes and respond to the changing financial industry.

Indicators and Targets 1. Approval of revised corporate planning process.

- March 31, 2000.

2. Implement "firehouse" concept in the FDIC's Division of Resolutions and Receiverships.

- December 31, 2000.

Background The financial services industry is changing dramatically and rapidly. In order for the FDIC to thrive in today's environment, the Corporation's approach to its responsibilities as insurer, supervisor and receiver must constantly be assessed to respond to known or anticipated changes in the financial services industry.

To ensure that the organization operates at a maximum level of efficiency and effectiveness, the FDIC must address and plan for the following forces of change:

- Industry consolidation
- Globalization
- Expanded activities of financial institutions
- Technology

Means and Strategies

General and Administrative Management Expense Business Process (72) *Operational Processes (initiatives and strategies):* The FDIC is committed to undertaking process reviews in 2000. The review will examine FDIC's core business process, including those processes that provide support to the business process.

The processes and their interconnections will be evaluated with the goal of improving the efficiency and effectiveness of those processes, validating the relationship of the business processes to the FDIC's major business programs, as well as the overall performance of the organization.

The FDIC's senior management will lead this effort, with staff from all areas of the Corporation participating in the process review.

Verification and Validation A project plan with milestones and deliverables will be developed early in the year. As such, performance data will be verified through the successful completion of each milestone. The project and its milestones or deliverables will be tracked through FDIC's Corporate Operating Plan System.

Impact of External Factors None identified at this time.

Resource Goal The FDIC's workforce is professional, efficient and highly skilled.

Annual Performance Goal A Corporate strategy is developed to ensure that a new generation of managers and senior professionals is prepared to assume future leadership positions with the Corporation.

Indicator and Target Corporate strategy and an action plan developed and approved by the Management Excellence Program Committee (MEPC).

- The Corporate strategy and an action plan (including actions and timeframes) will be developed and approved by December 31, 2000.

Background Adequate planning for a new generation of managers and senior professionals must begin now if the FDIC is to maintain a professional, efficient and highly skilled workforce over the next 5 to 10 years. One out of every six current employees is eligible to retire by year-end 2003.

The Corporation recognizes that it must continue to manage its human resources effectively if it is to fulfill its mission in the future and that leadership development is an essential aspect of effective human resources management.

A Corporate strategy and an action plan on leadership development will be created to ensure that the FDIC is able to replace these employees with qualified and experienced individuals as they leave. It also will ensure that all parts of the human resource system that support leadership/management positions are based on the same competencies.

Means and Strategies

Corporate Program Support Business Process (71)

Operational Processes (initiatives and strategies): Management and leadership development should be available to FDIC employees who express a desire, through a formal career development plan, to become managers. A formal management/leadership track will be developed that integrates existing programs with a comprehensive set of performance expectations at various management levels.

Oversight for the development of this effort will come under the MEPC. Primary support will come from the FDIC Division of Administration's Training and Consulting Services

Branch (TCSB) and Personnel Services Branch. During the first quarter of 2000, the MEPC will meet to discuss and begin developing the Corporate strategy and an action plan for broadening the existing Management Excellence Program (MEP), which has been focused on incumbent supervisors and managers, to consider the need for leadership development at all levels of the Corporation. Accomplishments for the year will be consistent with the Corporate strategy and the action plan developed by the MEPC.

Human Resources (staffing and training): Commitment of resources from across the Corporation and approval of recommendations made to the MEPC or to other committees by the MEPC are critical to the success of the effort.

Members of the MEPC will be tasked to provide oversight. Staff in TCSB will be committed to the effort. Subject matter experts and supervisors and managers from throughout the FDIC will be called upon for input and for task groups for program development and implementation. Support from the FDIC's Division of Information Resources Management (DIRM) is also required.

Technology: DIRM support will be required to provide needed systems for assessment, tracking, program/training delivery and evaluation. Requirements for one system in support of the MEP currently are being developed. Other requirements will be identified in the future.

Verification and Validation

The Corporate strategy and an action plan will be developed and approved by December 31, 2000. Implementation of the approved Corporate strategy and the action plan may occur consistent with the Corporate strategy and the action plan.

Impact of External Factors

None identified at this time.

Resource Goal The FDIC's workforce is professional, efficient and highly skilled.

Annual Performance Goal The Corporate Diversity Strategic Plan is implemented according to schedules as published in the Plan.

Indicator and Target The published schedule for the six areas described in the Diversity Strategic Plan.

- Implementation according to published schedules.

Background In 1999, the FDIC adopted its first Diversity Strategic Plan. The Diversity Strategic Plan will help the FDIC to retain its current, highly trained employees, while providing additional incentives to recruit the best candidates in the marketplace. The Diversity Strategic Plan envisions the creation of an organizational culture in which all employees are able to fully contribute their talent, expertise and skill to the achievement of the Corporation's mission.

Means and Strategies

General and Administrative Management Expense Business Process (72)

Operational Processes (initiatives and strategies): During 1999, the focus was on communicating the message of the Diversity Strategic Plan to all employees and developing the implementation infrastructure. In 2000, the focus will be on the initial implementation of the Diversity Plan's strategies and measuring their effectiveness.

The Diversity Strategic Plan includes planned actions in six areas:

- Building Commitment and Developing Awareness
- Enhancing the Corporate Recruiting Program
- Creating Developmental Opportunities
- Enhancing the Internal and External Selection Process
- Addressing Benefits and Workplace Issues
- Monitoring Progress and Establishing Accountability

For each of these areas, the Diversity Strategic Plan defines specific goals and strategies. Implementation of the Diversity Strategic Plan is a Corporate-wide initiative that will involve the cooperative efforts of all divisions and offices within the FDIC.

To provide leadership to the Corporation's Diversity Strategic

Plan, the Chairman appointed a Diversity Steering Committee (DSC) comprised of senior officials of the Corporation and chaired by the Director of the FDIC's Office of Diversity and Economic Opportunity (ODEO). The DSC continually monitors the Corporation's progress in accomplishing the Diversity Strategic Plan's objectives and its efforts to communicate these accomplishments to employees.

The following describes the areas of the Diversity Strategic Plan and the goals for the coming year:

Building Commitment and Developing Awareness

The DSC has established a Communication Working Group (Group) with staff from a number of divisions and offices. In close cooperation with FDIC's ODEO, the Group will maintain the Diversity Web site, publish articles in the FDIC News and develop new and innovative methods to keep all employees aware of the FDIC's commitment to diversity.

In 1999, employees attended initial awareness presentations to become familiar with the Diversity Strategic Plan. In 2000, diversity awareness courses will be developed and implemented for all employees. FDIC training will be designed to address diversity concepts, and existing courses will be modified as they are revised to incorporate diversity considerations. In addition, other learning opportunities will be made available through discussion forums, membership in outside organizations and diversity events or celebrations.

Enhancing the Corporate Recruiting Program

The Corporation's goal is to recruit a diverse pool of highly qualified applicants for all FDIC jobs.

In 2000, the FDIC will establish the framework for a centralized corporate recruitment function. This effort will be coordinated across all divisions and offices. Recruiting will emphasize that the FDIC strives to be an "employer of choice" and that there is a broad range of career opportunities available in the FDIC. Existing recruiting sources will be expanded, and a consistent recruiting approach will be developed for the Corporation.

The FDIC will also initiate a variety of recruitment outreach activities including participation in the recruitment activities of colleges and universities, minority and special emphasis organizations and professional organizations.

Creating Developmental Opportunities

Enhanced career development opportunities will aid in developing, motivating and retaining a diverse workforce. The Corporation will undertake initiatives such as the Mentoring Program, the Career Management Program and the external leadership programs to provide formal career development opportunities for employees. The FDIC training policy will also be revised to enhance educational assistance. In addition, the use of developmental details will be expanded, and a plan will be developed to begin expanding the existing skill base of employees by providing broad-based training on general skills used throughout the Corporation. By increasing staff knowledge, skills and effectiveness, the FDIC will equip itself to be more responsive to changes in the banking industry.

Enhancing the Internal and External Selection Process

The FDIC will work with the National Treasury Employees Union (NTEU) to review and revise its internal and external selection procedures to ensure that they are fair, equitable and efficient and result in the selection of the best-qualified candidates. This will include proposed revisions to the rating and ranking processes followed by panels and the establishment of guidelines for selecting officials on the interviewing process. An enhanced Recruitment Tracking System will help to expedite the timely processing of applications. Panel members, selecting officials, interviewers and recruiters will be trained on the selection process.

Addressing Benefits and Workplace Issues

The FDIC recognizes the differing priorities and needs of its employees related to benefits, work life issues and the work place. In order to ensure that it continues to be an “employer of choice”, the Corporation will recruit a national work life program manager to develop a new Corporate work life program. The work life program manager will work with FDIC executives, managers, supervisors and employees to encourage the effective utilization of existing family-friendly workplace policies and programs. The Corporation will also solicit the services of an outside benefits consultant to help ensure that the FDIC’s benefits programs are continuously updated in accordance with state-of-the-art programs and industry practices. Such changes are subject to negotiation with the NTEU.

In 2000, the Corporation will develop a disability management program. This program is intended to reduce time away from work, increase productivity and improve the employees' quality of life.

Monitoring Progress and Establishing Accountability

The FDIC wants to ensure that the implementation of the Diversity Strategic Plan results in progress towards a diverse workforce and an environment in which employees can realize their full potential.

One of the first steps that will be taken to measure the Corporation's progress in achieving its diversity objectives will be an organizational assessment. This assessment will be undertaken in cooperation with the Corporation's employee union and will establish baseline data against which to measure the success of the strategies of the Diversity Strategic Plan.

The DSC is also establishing a Measurement Working Group that will be responsible for developing measures to assess the Corporation's effectiveness in achieving its diversity objectives. The group will utilize three measurement methodologies:

1. Implementation Success Measurement to monitor, through the Corporate Operating Plan System, progress in achieving planned milestones for each action item in the Diversity Strategic Plan.
2. Strategy Success Measurement developing measurement criteria for each diversity strategy and then collecting and analyzing the data.
3. Corporate Success Measurement using tools such as the Organizational Assessment and exit interviews for ongoing measurement and monitoring.

As noted above, one of the principal means that will be used to measure the success of the Corporation's diversity initiatives will be exit interviews. The FDIC will hire a contractor to conduct independent exit interviews for the purpose of identifying potential diversity issues and any other concerns that may be contributing to employee attrition.

Human Resources (staffing and training): The Diversity Steering Committee will continue to use Project Managers on rotating detail assignments. In addition, a team comprised of four FDIC staff members on detail will initially staff the Measurement Working Group. The Diversity Strategic Plan also envisions that individual divisions and offices will establish diversity coordinator positions.

Efforts relating to training are addressed above in the various areas of the Diversity Strategic Plan.

Technology: The primary means of communicating ongoing efforts concerning the Diversity Strategic Plan will be the Diversity Web site. The Communication Working Group will coordinate with FDIC's information resources group to maintain the Web site.

Verification and Validation

Progress in meeting Year 2000 goals and strategies for the six areas in the Diversity Strategic Plan will be tracked on a quarterly basis through a diversity initiative's matrix approved by FDIC management.

Impact of External Factors

None identified at this time.

Resource Goal The FDIC has a strong internal control and risk management program.

Annual Performance Goal Weaknesses are identified, resolved on or before the estimated completion date and are not repeated.

Indicators and Targets 1. The number of Office of Inspector General and General Accounting Office audit conditions closed before the estimated completion date or the revised estimated completion date.

- FDIC divisions and offices will close at least 90% of their audit conditions on or before the estimated completion date or revised estimated completion date.

2. The number of repeat audit conditions identified in final audit reports.

- The number of repeat audit conditions identified in 2000 will be less than the number of repeat audit conditions identified in 1999.

Background The FDIC's Office of Internal Control Management (OICM) works with divisions and offices to identify, resolve and manage internal control weaknesses. This cooperative effort is designed to ensure that controls are in place to effectively manage risks and to provide the Corporation with a strong internal control and risk management program.

Means and Strategies

General and Administrative Management Expense Business Process (72) *Operational Processes (initiatives and strategies):* The FDIC internally receives an Inventory of Accountability Units (AU). The FDIC prepares a Risk Assessment Worksheet and Management Control Plan for each AU and reviews and analyzes these documents to ensure that 1) major business processes are identified, 2) appropriate risk rankings are assigned, and 3) internal controls are in place to effectively manage the risks. This analysis also assists in determining areas requiring additional guidance and/or training to support the FDIC's internal control program.

Throughout the year, the FDIC monitors internal control programs, assists management in identifying weaknesses, and ensures corrective actions are completed for material weaknesses. The FDIC analyzes various sources of corporate and industry information to identify emerging internal control and risk management issues. If significant issues are identified, the FDIC conducts research to determine any impact on the FDIC's internal controls and provides recommendations to senior management for further actions, as necessary.

The FDIC works throughout the year to resolve issues identified by the Office of Inspector General (OIG). The FDIC prepares a management response to the OIG Semiannual Report to the Congress, which highlights the FDIC's internal control accomplishments and provides the status of management's corrective actions to address weaknesses identified.

Verification and Validation

Audit information is tracked through the Internal Risks Information System (IRIS). Data entry standards for the form and content of information entered into the system are published. OIG and General Accounting Office (GAO) audit data is entered into IRIS by one FDIC OICM staff member and is independently audited by another FDIC OICM staff member to ensure that IRIS data is accurate.

Internal Control Review (ICR) information is entered into IRIS by FDIC OICM staff in accordance with the data entry standards. The FDIC regularly monitors this input for compliance with the standards and FDIC division and office Management Control Plans.

IRIS produces a variety of management reports to enable responsible officials to monitor the timely completion of corrective actions. IRIS also generates management reports that identify repeated weaknesses. The FDIC’s OICM staff analyzes report information to verify that weaknesses are effectively monitored and efficiently resolved.

The FDIC holds monthly Early Warning System (EWS) meetings to identify and discuss potential and emerging internal control weaknesses. The EWS Committee assigns significant issues to the FDIC’s OICM staff for further research and analysis. Validation is obtained when staff reports back to the EWS Committee with conclusions and recommendations for additional actions, if any.

During OIG and GAO audits, the FDIC is in regular communication with the auditors to coordinate activities and to determine the status of potential risks and weaknesses. The FDIC holds periodic meetings with the auditors and program area officials to discuss and resolve potential internal control weaknesses. Validation is received through timely management responses, which address the weaknesses identified by the auditors.

The FDIC's OICM conducts ICRs, either independently or jointly with FDIC divisions and offices, in order to monitor risks and to verify that completed corrective actions have resolved internal control weaknesses. FDIC division and office directors certify annually to the adequacy of their internal controls and identify any material weaknesses. The

FDIC Audit Committee and senior management also assign special projects to the FDIC's OICM to determine whether weaknesses are being adequately managed.

Impact of External Factors

The number of OIG and GAO audit reports issued may substantially increase the number of identified audit findings and internal control weaknesses. New banking legislation passed by Congress may lead to organizational and procedural changes in the FDIC program areas that may result in new internal control risks and/or weaken the FDIC's internal control systems.

Resource Goal The FDIC has a strong internal control and risk management program.

Annual Performance Goal FDIC's Corporate-wide information resources security program is strengthened.

Indicators and Targets

Information Systems Security

1. Risk assessment and independent security reviews.

- 24 reviews are conducted.

2. Virus incidents.

- Monthly average of less than 300.

Physical and Personnel Security

1. Policy and pre-exit clearance for employees developed and implemented.

- 2nd Quarter 2000.

2. Policy issues of badges and fingerprinting of contractors developed and implemented.

- 3rd Quarter 2000.

Background An August 1999 General Accounting Office management letter identified vulnerabilities in the FDIC's information systems security program. The FDIC considers systems security, including the physical and personnel security of information systems staff, to be an important Corporate priority, and, as such, is implementing various corrective actions to resolve these internal control-related matters.

Means and Strategies

Corporate Program Support Business Process (71)

Operational Processes (initiatives and strategies):

Information Systems Security

The free flow of information between authorized users requires that strategies and controls be in place to ensure that the required automated information systems remain operational and that the information flow remains secure and uncompromised. The FDIC is working to ensure that our systems are protected and the connections with outside entities are not vulnerable to security breaches.

The FDIC is taking measures to identify our risks by performing assessments on major applications and general support systems. The FDIC is combating cyber terrorism/hacking by upgrading and strengthening system firewalls, including implementing intrusion detection with LAN monitoring and implementing a strong virus protection and eradication program.

The target will be to perform a risk assessment/independent security review on approximately 24 major applications and general support systems as required per the Office of Management and Budget Circular A-130. It is anticipated that four reviews will be completed during the first quarter of 2000, seven during the second and third quarters and six during the fourth quarter.

In 1999, the FDIC averaged approximately 2,500 virus incidents per month. The goal for 2000 is to reduce that average to less than 300 per month. Every time a virus is detected, an alert is sent to the FDIC's Computer Security Incident Response Team mailbox. These incidents are tracked and reports are generated every month. These reports will be used to track our progress in achieving the annual goal.

Physical and Personnel Security

Employee Security Program: Physical and personnel security ensures that proper safeguards are incorporated for the protection of all FDIC property and personnel including those performing information systems functions. During the past year, the Corporation issued a new circular entitled, "Personnel Suitability Program", to assist the Corporation in employing and retaining only those persons who meet all Federal requirements for suitability, and whose employment or conduct would not jeopardize the accomplishment of the Corporation's duties or responsibilities. Additionally, global e-mails were periodically issued to all employees to stress the importance of complying with established security policies. For all on-site contractors and key contractor personnel, we continue to improve processes to ensure that contractor background investigations are appropriately conducted and documented.

In 2000, the Corporation will continue to conduct background investigations and re-investigations on employees based upon risk designations for their positions, in accordance with the new Personnel Suitability circular.

An updated FDIC circular on pre-exit clearances for employees will also be finalized and implemented in 2000. This circular will establish procedures for employees who are either separating from the FDIC, or reassigned to another FDIC organization, and will ensure that proper safeguards are taken for the protection of FDIC property and interests.

Contractor Security Program: The FDIC will undertake a number of actions, including revisions to current policy circulars and to the training curriculum for contract oversight managers and contracting officers, to strengthen its internal procedures to ensure that background investigations are conducted on all on-site contractors and key contractor personnel.

Verification and Validation

Information Systems Security

The FDIC maintains an extensive system security monitoring capability that provides a measurement of the performance of FDIC systems relative to security incidents.

In 2000, the FDIC will focus on two areas: risk assessment and virus protection. When each risk assessment/independent security review is completed, an official management letter is generated and signed authorizing the owner of the system to place the system into production or to continue operations. For major applications, the application's owner and the FDIC's Director of the Division of Information Resources Management sign the letter. The performance indicator will be the number of management letters signed every quarter.

Physical and Personnel Security

The FDIC will validate that enhancements to its security program have been implemented by confirming the issuance of the planned policy circulars. Once the policies are implemented, the FDIC will use its internal control testing program to verify compliance with these new policies.

Impact of External Factors

Increasing incidents of security violations have caused public and private institutions across the nation to assess their systems and physical/personnel vulnerabilities. The FDIC systems and physical/personnel vulnerabilities. The FDIC must take steps to prevent, detect and investigate security threats, and to protect FDIC employees and visitors in our owned and leased facilities from internal and external threats.

With technology advancements, increased computer connectivity and the use of the *Internet* are offering the FDIC unprecedented opportunities to improve operations by reducing paper processing, cutting costs and sharing information. However, the success of many of these efforts depends, in part, on the FDIC's ability to protect the integrity, confidentiality and availability of personal and financial data and the systems it relies on. The FDIC's Web site and the firewall have endured several daily hack attempts.

The FDIC and its information-sharing partners are to some degree reliant on vendor-supplied products and services. Problems with vendor-supplied products and services could degrade the FDIC's information sharing performance. The cyber security environment is constantly changing with new threats exposing new vulnerabilities almost daily. The FDIC and everyone depending on information systems is continually at some degree of risk from cyber attacks that cannot be countered in time to maintain system operations and availability as scheduled.

APPENDIX

Planning Process

Program Evaluation

Crosscutting Efforts

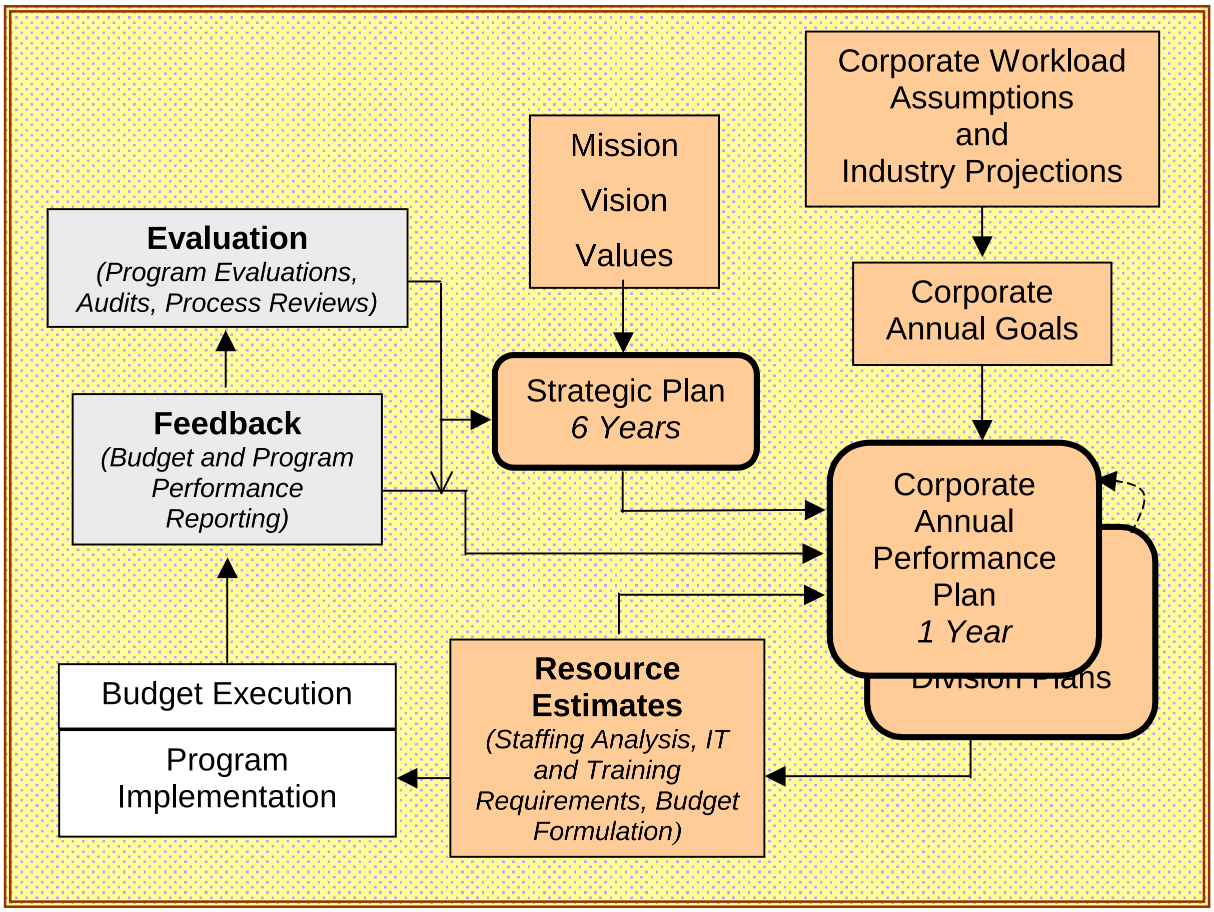
External Factors

Performance Matrices

Adjustments to Strategic Plan

Tree Diagrams

Planning Process As portrayed in the following diagram, planning at the FDIC is a continuous process.



The FDIC's planning process, leading to development of the Annual Performance Plan (Plan), involves Corporation management and staff at all levels. In addition, the National Treasury Employees Union is provided predecisional opportunities to review and comment on the Plan. Corporate goals, priorities and planning decisions are communicated to managers and staff of the Corporation through the Strategic and Annual Plans, staff meetings, newsletters and the FDIC's Web site. Communicating corporate priorities and soliciting input from employees at all levels promotes accountability on the part of managers and staff for achieving the goals they have helped develop. FDIC senior management also is committed to educating FDIC management and staff on the implementation of the Government Performance and Results Act of 1993 (GPRA) and the positive effect it continues to have on the FDIC.

Strategic Plan

The FDIC Strategic Plan provides a framework for implementing the Corporation's mission by setting a course for the organization and guiding decisions about the effective use of resources. The Strategic Plan contains goals and objectives that have a six-year strategic focus. It is implemented through the Annual Performance Plan that is augmented by individual FDIC division- and office-level performance plans from which staffing and other budgeted resources are determined.

Annual Performance Plan

Significant changes for 2000 have been implemented with respect to the FDIC's Annual Performance Plan. The Plan: 1) now reflects a more defined association of its business processes to the annual performance goals, 2) more clearly identifies the Chairman's areas of emphasis, and 3) more clearly identifies the performance indicators and targets for each annual performance goal.

The Plan defines, through annual performance goals, what will be accomplished during the year to achieve the FDIC strategic goals and objectives. The Plan mirrors the Strategic Plan in structure: it is built around the Corporation's three major program areas: Insurance, Supervision and Receivership Management. The FDIC also recognizes that effective management of resources is critical to the achievement of its mission and strategic goals. An additional section of the Plan focuses on the management of human, information and technological resources and internal controls.

The Plan's format is centered around strategic goals and annual performance goals. Each annual performance goal has at least one performance indicator and target level of performance and is accompanied by a discussion of the means and strategies to be employed in pursuit of the annual performance goal. There are three components to the means and strategies. Where appropriate a narrative discussion of the operational processes, human resources and technological requirements necessary for the annual goal to be achieved will be included. Also, crosscutting efforts or efforts conducted by the FDIC in conjunction with the other federal banking agencies, the National Credit Union Administration and others are specifically mentioned. Finally, the Plan identifies the processes by which performance data is verified and validated for each annual performance goal and the impact that identified external factors may have on the achievement of the annual goals.

Performance Reporting

As has been the FDIC's past practice, a quarterly performance report is prepared which includes information on the status of annual performance goal achievement as set forth in the Plan. A comprehensive briefing is presented on a semiannual basis to the Corporation's Board of Director's as well as the FDIC's Operating Committee. The Operating Committee is comprised of the FDIC's Chairman and FDIC senior management. The Operating Committee is the principal mechanism by which corporate program performance and results are evaluated and recommendations are made for changes to current strategies, goals, objectives or resource allocation, where appropriate. In March 2000, the FDIC will report on the achievement of the 1999 annual performance goals in its first Annual Program Performance Report to Congress as required by GPRA.

Other FDIC Plans

The FDIC has developed three other plans that are strategic in nature and guide the Corporation in the areas of corporate diversity, information technology and integrity and effectiveness. These plans supplement the FDIC Strategic and Annual Performance Plans. They are summarized below:

Corporate Diversity

At the core of FDIC's values: effectiveness, responsiveness, teamwork, service and integrity, are its employees. In 2000, a major focus of the FDIC will be the implementation of the Corporation's Diversity Strategic Plan. The Diversity Strategic Plan will ensure that diversity is leveraged to the advantage of the FDIC, its customers and individual employees. The FDIC is committed to building a work environment that supports and fosters the contributions of a diverse workforce. The Diversity Strategic Plan will guide the FDIC's diversity efforts to ensure that everyone is treated fairly. It includes developmental programs such as mentoring, diversity training for employees, evaluation of supervisory and management efforts that support diversity, recruiting activities and employee benefits.

Information Technology

The FDIC constantly strives to enhance its use of technology to accomplish its mission and strategic goals. The FDIC's Information Technology (IT) Strategic Plan contains specific goals and objectives focused on providing effective technology to support corporate goals associated with the FDIC's major program areas, as well as strategic resources. The IT Strategic Plan also contains detailed discussions of various types of information technology with forecasts of how they can be used to enhance the FDIC's operations.

In 2000, major elements of the FDIC's IT program will include intensifying the Corporate-wide security program and reassessing the effect of technological change on the banking industry. Other initiatives focus on identifying, developing and implementing new information technologies that will improve the effectiveness and efficiency of all aspects of the FDIC's primary program and strategic resources.

Integrity and Effectiveness

The Office of Inspector General (OIG), an independent office established within the FDIC under the Inspector General Act (IG Act) promotes the economy, efficiency, integrity and effectiveness of FDIC programs and activities. The OIG accomplishes its mission, as authorized by the IG Act, by conducting and supervising independent and objective audits, investigations, and evaluations and by keeping the FDIC's Chairman and the Congress informed of its work.

The OIG has independently prepared and published its own Annual Performance Plan for 2000 that reflects strategic initiatives. The initiatives include 1) conducting more performance-type audits that address underlying systemic issues, 2) more timely communicating audit results during the audit process; and 3) developing and implementing proactive investigative initiatives.

Program Evaluation

The FDIC's Annual Performance Plan implements the FDIC's strategic goals and objectives by establishing annual performance goals. Each year the FDIC is required by GPRA to produce an Annual Program Performance Report that evaluates actual performance against the annual performance goals. Program Evaluations are used "to validate program accomplishments and identify strategies for program improvement[3]." Evaluations also are a mechanism to determine whether the program has clearly defined goals and well-developed measures of program outcomes. Results of program evaluations are included in the Annual Program Performance Report and will be used as input to the strategic planning process.

In addition to providing input to update the FDIC's Strategic Plan, Program Evaluations are used to revise the FDIC's Annual Performance Plan and/or division- or office-level annual performance plans. The collaborative effort of the Program Evaluation process will evaluate the way the FDIC implements its programs. The results and suggestions of this process will be incorporated into the planning process as quickly as possible. It is possible that the outcome of the Program Evaluation process will result in the FDIC updating its Strategic Plan earlier than the required three-year cycle.

Evaluation Process

The FDIC's Division of Research and Statistics (DRS) will have primary responsibility to carry out and report on the evaluation of the Corporation's program accomplishments. This role is independent of the program areas. DRS will have access to corporate program resources as well as Office of Inspector General and U.S. General Accounting Office reports. The Program Evaluation is an interdivisional, collaborative effort and will involve management and staff from the division(s) and office(s) responsible for the program as well as personnel from the FDIC's Division of Finance and the Office of Internal Control Management. Such participation is critical to not only fully understanding the program being evaluated, but also to giving the division(s) and office(s) a stake in the process.

Evaluation Schedule

The FDIC expects to update its Strategic Plan on a three-year cycle. Completed evaluations of some of the FDIC's program areas will be available in advance of the beginning of the next strategic planning cycle.

[3] *Managing for Results: Critical Issues for Improving Federal Agencies Strategic Plans.*

The Program Evaluation has been completed for the Insurance program area and the conclusions were presented to the FDIC's Operating Committee in April 1999. The Program Evaluation for the Receivership Management program area is currently underway and should be completed in the year 2000. In addition, evaluations for one of the two areas of the Supervision program area, either Safety and Soundness or Consumer Rights, should be initiated in the year 2000.

Crosscutting Efforts

The FDIC works closely with the other three federal banking agencies which include: 1) the Board of Governors of the Federal Reserve System (FRB), 2) the Office of the Comptroller of the Currency (OCC), and 3) the Office of Thrift Supervision (OTS) to address issues and programs that transcend the jurisdiction of each agency. The FDIC and the other federal banking agencies also work closely with the National Credit Union Administration (NCUA) which supervises and insures credit unions. In addition, the directors of the OCC and the OTS are members of the FDIC Board of Directors, which facilitates crosscutting policy development and regulatory practices between the FDIC, the OCC and the OTS.

The Federal Financial Institutions Examination Council (FFIEC), comprised of members of each of the five federal agencies listed above, is empowered to prescribe uniform principles, standards, and report forms for the federal examination of insured depository institutions and federally insured credit unions. The FFIEC makes recommendations to promote uniformity in the supervision of insured depository institutions and federally insured credit unions, develops standardized software and provides uniform examiner training

As a member of the FFIEC, the FDIC participates on taskforces to carry out interagency objectives and activities. These taskforces focus on Consumer Compliance, Examiner Education, Information Sharing, Reports, Supervision, Surveillance Systems, Legal Advisory and Appraisal. In 2000, significant FFIEC taskforce activities include:

Consumer Compliance Taskforce	• Consistent application of CRA regulations • Homeowner’s Protection Act procedures • Eliminate paper products (HMDA) • Community Contacts Database

Examiner Education Taskforce	• Subprime lending training • Interagency video teleconferencing • Risk management seminars for insured depository institution executives • Examiner training
Information Sharing Taskforce	• Enhancing the automated transfer of data between FFIEC members
Reports Taskforce	• Continues implementation of Riegle Community Development and Regulatory Improvement Act of 1994 (Sections 307 b and c)
Supervision Taskforce	• Asset securitization • Bifurcated capital • Subprime lending issues • Consumer installment credit issues • Enhancement of trust activities • Oversight of internet vendor research and service provider projects • Y2K follow-up activities
Surveillance Systems Taskforce	• Creation of public UPBR Web site
Appraisal Taskforce	• Conducting onsight reviews of state appraiser regulatory programs • Working with states to identify and correct causes of underpayment of National Registry fees • Conducting semi-annual audit of Appraisal Subcommittee • Audits of foundation grants

In support of GPRA, the interagency Financial Institutions Regulatory Working Group comprised of all four federal banking agencies and the NCUA, was formed in October 1997. The Office of Federal Housing Enterprise Oversight, which supervises *Freddie Mac* and *Fannie Mae*, and the U.S.

Department of the Treasury, also participate. Collectively, this group works to identify the general goals and objectives that cross these organizations and their programs and activities as well as other general GPRA requirements.

2000 Interagency Annual Goals

In addition to the work coordinated by the FFIEC, the interagency working group defined categories of crosscutting efforts, coordinated efforts and similar goals.

Coordinated efforts may be an input, an output or an information exchange between agencies or may be a shared activity. While coordinated efforts occur throughout our various activities for purposes of the Annual Performance Plan, the FDIC only identified goals where significant coordination with other agencies was identified. Similar goals appear in the annual performance plans of the other agencies but the goals may be worded differently and or the organizations may use different indicators of performance but may strive for the same result.

As displayed in the matrix below, the FDIC has identified ten annual performance goals for 2000 that will require coordinated efforts with one or more of the agencies. Five annual goals appear in the other agency annual plans for 2000.

FDIC 2000 Annual Performance Goals[4]	**Federal Agency**[5]			
	FRB[6]	**NCUA**[7]	**OCC**[8]	**OTS**[9]
Economic trends and emerging risks in banking are identified, monitored and addressed appropriately	a	a	a	a

[4] Only FDIC annual goals that require coordinated efforts with, or which similar goals are presented in the plans of the other federal banking agencies and the NCUA are listed.
[5] KEY: a) Coordinated effort requiring an input, output, shared information or work process with the indicated federal banking agency(ies) and the NCUA, b) Similar goal appearing in the Annual Performance Plan of the indicated federal banking agency(ies) and the NCUA plan.
[6] As of 12/20/99, the 2000 Annual Performance Plan was not available from the FRB for the purpose of identifying similar annual goals. However, FDIC staff identified the FDIC annual goals requiring coordinated efforts with the FRB.
[7] Although FDIC and NCUA share similar strategic results, no similar annual performance goals were identified.
[8] As of 12/20/99, the 2000 Annual Performance Plan was not available from the OCC for the purpose of identifying similar annual goals. However, FDIC staff identified the FDIC annual goals requiring coordinated efforts with the OCC.
[9] Source for identifying similar goals: Draft OTS 2000 Annual Performance Plan dated 10/27/99.

FDIC 2000 Annual Performance Goals[4]	Federal Agency[5]			
	FRB[6]	NCUA[7]	OCC[8]	OTS[9]
Assess how the FDIC can best contribute to U.S. leadership on global deposit insurance issues through 1) technical assistance, 2) research and scholarship and 3) coordination and communication	a	a	a	a
100% of supervisory concerns noted during off-site reviews of insured depository institutions are resolved without further action or are referred for examination or other supervisory action	a		a	a
On-site safety and soundness examinations on FDIC-supervised insured depository institutions are initiated in accordance with statutory requirements, FDIC policy, state agreements or as otherwise needed	a		a	a & b
Financial data provided to the public on insured depository institutions is maintained and enhanced	a		a	a
Prompt supervisory actions are taken to address problems identified during the FDIC examination of institutions identified as problem insured depository institutions. FDIC-supervised insured depository institution compliance with formal and informal enforcement actions is monitored				b
Effectively respond to written and telephone complaints and inquiries related to deposit insurance and consumer protection laws within specified timeframes	a	a	a	a
Effective outreach, technical assistance and training are provided on topics related to the Community Reinvestment Act (CRA) and community development	a	a	a	a & b
Compliance and CRA examinations are initiated in accordance with FDIC policy	a	a	a	a & b

FDIC 2000 Annual Performance Goals[4]	Federal Agency[5]			
	FRB[6]	NCUA[7]	OCC[8]	OTS[9]
Prompt supervisory actions are taken on all institutions rated 4 and 5 for compliance to address problems identified during compliance examinations; compliance with those actions is monitored	a	a	a	a & b

External Factors

The following external factors are beyond the FDIC's control and could significantly affect the achievement of the annual performance goals for 2000:

Year 2000

For many years information technology (IT) has internally represented the year in dates as two digits. The first two digits originally were eliminated because of the high cost and limited availability of computer memory storage space, and has remained in place as a *de facto* programming standard in both legacy and more recent systems. Unless these IT systems are modified to change the date format to a four-digit year, January 1, 2000, will be interpreted as January 1, 1900, in many types of computer software and hardware. This problem could affect numeric validations, date comparisons, arithmetic operations and chronological sorts.

The FDIC has guided and monitored insured depository institutions in their efforts to become Y2K ready and does not expect that banks and savings associations will encounter major Y2K-related problems. However, the century date change could affect the FDIC in the following ways:

- (A) The occurrence of a Y2K-related failure could affect the FDIC's ability to process a failed insured depository institutions' records and provide customers with access to their insured deposits and financial services within the three-day target. The FDIC has contingency plans in place to assist with any increase in failure activity and has identified and trained personnel who will assist on-site in a resolution due to Y2K-related problem.

- (B) The occurrence of the century date change could result in residual Y2K-related issues for consumers that would likely result in an increase in the volume of consumer and banker inquiries on these issues. If this is the case, consumer affairs resources would be reallocated from other initiatives or the reliance upon contractor support will be increased to ensure the FDIC is responsive to consumers.

- (C) The FDIC has guided and monitored insured depository institutions in their efforts to become Y2K ready. In the event of a Y2K-related failure(s), supervisory resources could be redirected to the Y2K-related effort, which could adversely impact FDIC's ability to conduct its regularly scheduled on-site safety and soundness examinations.

Economy The performance of the economy at the national and regional levels affects the way the banking industry carries out its business strategies and may affect the industry's performance. Changes in the business cycle, that is, changes in interest rates, the rate of inflation and unemployment rates influence the lending and funding strategies of insured depository institutions. Economic conditions have a significant effect on the risk profiles of insured depository institutions.

- (A) Changes in the economy such as an increase in interest rates paid on time deposits will likely result in investors switching from the equities and bond markets to safer certificates of deposit. This trend would likely increase the need for outreach activities and distribution of information and educational materials.

- (B) An economic slowdown could have an adverse impact on the banking industry by slowing asset growth, increasing loan losses and impairing profitability. Increases in asset losses could result in an increase in the amount of time spent on an examination and could possibly have an impact on the number of exams conducted during the year.

- (C) An increase in the number of failed insured depository institutions could affect whether the FDIC is responsive to consumer needs related to consumer protection information.

- (D) A severe economic slowdown could have an adverse impact on the banking industry and as a result, the ability of an insured depository institution to acquire deposits of failed institutions

- (E) The current economic environment has had a positive effect on the banking industry. Recent insured depository institution failure activity has been low and little intervention has been required on the part of the FDIC. As a result, the FDIC has been able to focus more on its existing inventory of assets and impediments to the closeout of receiverships. However, an economic downturn could trigger a higher rate of institution failures as well as increased failure costs and, in turn, could impact the FDIC's efforts to terminate receiverships.

Other factors relating to the economy include:

- The lower Federal deficit in recent years has led to a shrinking supply of U.S. Treasury securities relative to other fixed-income investment securities. All else being equal, this has led to higher prices (and lower yields) of U.S. Treasury securities. This implies the deposit insurance funds may grow more slowly due to lower yields.

- Entry and expansion in the system are closely related to the economy. When economic conditions are positive there typically is an increase in applications for deposit insurance for *de novo* entry.

- In the case of a sudden, unexpected failure, the FDIC may not have a sufficient amount of time to widely market the failed institution and its assets.

Industry Consolidation

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 became fully phased-in during 1997, accelerating the pace of industry consolidation.

- (A) Continued industry consolidation will require additional examination mechanisms and different supervisory techniques to assess and monitor the increasingly complex financial conglomerates. Mergers between large insured depository institutions will increase individual company concentrations of risks to the deposit insurance funds. Mergers across industry lines could further increase risk. Continued modifications in interstate banking practices will require changes in off-site data collection and analysis techniques. More cross-regional FDIC cooperation and increased cooperation with the other federal banking agencies and state authorities will be needed.

Other factors relating to industry consolidation include:

- Industry consolidation presents both benefits and risks. While the risks to the deposit insurance funds are diminished because of the diversification benefits of consolidation (along both geographic and product lines), the concentration of deposits into fewer insured depository institutions increases the risks to the funds in the event one of these larger insured depository institutions fails. The FDIC has undertaken contingency planning to prepare for the failure of a large insured depository institution should one occur.

Emerging Technology

Emerging technology has introduced new ways for insured depository institutions to offer traditional products and services through new delivery channels and, in some instances, to develop innovative products and services.

As part of its continuous effort to identify, monitor and address emerging risks, the FDIC is making a concerted effort to reassess its approach to technological change in the banking industry. The objectives are to identify risks to banks and the FDIC presented by current and emerging technology and to recommend actions that will ensure that the FDIC's policies and procedures and its organizational structure are appropriate to monitor and manage those risks. This effort will encompass a broad perspective, taking into account all major aspects of the FDIC's mission including insuring deposits, examining and supervising insured depository institutions and managing receiverships.

Performance Matrices

The matrices below depict the "like" annual performance goals the FDIC has implemented over the past several calendar years and will be implementing in 2000. For the 1997 and 1998 annual performance goals, the performance results achieved by implementing those goals are reflected. Year-end performance information for 1999 was not available at the time the 2000 Annual Performance Plan was published.

Depositor Payouts in Instance of Failure

Annual Goal and Results 1997	Reopen new institution or begin depositor payouts within 3 calendar days of the institution failure.	*One financial institution failure occurred in 1997. Depositors had access to their funds within 3 calendar days.*
Annual Goal and Results 1998	Reopen new institution or begin depositor payouts within 3 calendar days of the institution's failure.	*Three insured depository institutions failed in 1998. Depositors of each failed insured institution had access to their funds within 3 calendar days of failure.*
Annual Goal 1999	Insured deposits are transferred to successor insured depository institution or depositor payouts are begun within three days of insured depository institution failure.	
Annual Goal 2000	Insured deposits are transferred to successor insured depository institution or depositor payouts are begun within 3 days of institution failure.	

Risk Classifications

Annual Goal and Results 1998	Conduct semiannual risk classifications assigned and reviewed for Board approval of BIF and SAIF premium rate cases.	*Produced and presented insurance premium rate cases to the FDIC's operating committee and to the Board of Directors within the semiannual deadline. The staff recommended maintaining the existing assessment rate schedules of 0 to 27 basis points per year.*
Annual Goal 1999	The Risk Based Premium System appropriately reflects risks to the deposit insurance funds and modifications are explored that may make the system more forward-looking.	
Annual Goal 2000	Assessment rate schedules and risk classifications correspond with relative risk rankings of insured institutions, subject to statutory constraints.	

Year 2000 Readiness

Annual Goal and Results 1998	Conduct timely on-site Year 2000 examinations for all state non-member banks and independent data servicers by June 30, 1998.	*As of 6/30/98, examined 6,027 or 100% of all state non-member institutions to evaluate Year 2000 readiness and assessed Year 2000 readiness for 153 or 100% or servicers.*
Annual Goal 1999	On-site Year 2000 readiness assessments are conducted to address testing, implementation and contingency planning for state non-member banks and independent data centers no later than 3/31/99. Appropriate follow-up action(s) is taken as needed.	
Annual Goal 2000	Through a combination of on-site assessments and off-site contacts, monitor FDIC-supervised insured depository institutions, and those service providers and software vendors that the FDIC is responsible for examining, as they enter the new millennium to determine what, if any, Y2K-related problems they may be experiencing. Appropriate follow-up taken on all Y2K related problems.	

Policy Analysis

Annual Goal and Results 1998	Develop FDIC regulations and statements of policy that address emerging market, economic, technological and legislative developments.	*FDIC, working with other members of the FFIEC, issued guidance related to testing and contingency planning for Year 2000 readiness, the Year 2000 Consumer Awareness Program, the Year 2000 Readiness Assessment Strategy for FDIC-supervised insured depository institutions and a FDIC consumer information brochure on the Year 2000 date change.*
Annual Goal 1999	Economic analysis is conducted of and reports are produced on major public policy issues (e.g., financial modernization and globalization), facing the FDIC and the industry.	
Annual Goal 2000	Economic analysis is conducted of, and reports are produced on, major public policy issues (e.g., industry consolidation, financial modernization and globalization) facing the Corporation and the industry.	

Consumer Complaints and Inquiries

Annual Goal and Results 1997	Responses on complaints and inquiries. Respond within time frames established by policy.	*Investigated and closed consumer complaints within an average of 54 days (60 is target) for the year; and investigated and closed consumer inquiries within an average of 15 days (15 is target) for the year; and investigated and closed financial institution inquiries within 13 days (15 is target) for the year.*
Annual Goal and Results 1998	Responses on complaints and inquiries provided within time frames established by policy.	*Received nearly 3,900 consumer complaints in 1998 and responded in an average of 57 days, three days better than the response time target. Received nearly 2,600 consumer and insured depository institution inquiries in 1998 and responded in an average of 11 days, four days better than the response time target.*
Annual Goal 1999	Conduct a pilot survey in the FDIC DCA Washington Office to determine whether consumers who have received written responses from the FDIC regarding their complaints and inquiries are satisfied[10].	
Annual Goal 2000	Effectively respond to written and telephone complaints and inquiries related to deposit insurance and consumer protection laws within specified timeframes.	

[10] This Annual Goal was revised in 1999 and does not reflect what was originally published in the FDIC 1999 Annual Performance Plan.

Risk Identification and Reporting

Annual Goal and Results 1997	Regular reports discussing developments affecting the risk profiles of FDIC-insured institutions. Produce reports each quarter.	*In each quarter of 1997, copies of the FDIC's Regional Outlook report were distributed to the 8 regions.*
Annual Goal and Results 1998	Produce regular Division of Supervision and Division of Insurance reports discussing the condition of the industry and developments affecting the risk profiles of FDIC-insured institutions.	*During 1998, the following occurred:* • *Published 3 deposit insurance issue papers* • *Published four issues of Regional Outlook* • *Published four Regional Commentaries on the Web* • *Published Condition of the Funds and Assessment Analysis Report* • *Rolled out the Regional Economic Conditions: Report for Examiners a Web-based tool* • *Published Bank Trends*
Annual Goal 1999	Risks emerging in 1999 to insured depository institutions are identified through off site and on site risk identification processes and are communicated through a variety of reports to the banking industry and its supervisors.	
Annual Goal 2000	Economic trends and emerging risks in banking are identified, monitored and addressed appropriately.	

Risk Assessments

Annual Goal and Results 1997	Quarterly risk assessment analysis of exception report. Review 100% of CAEL and GMS exceptions.	*100% of CAEL and GMS exceptions were reviewed.*
Annual Goal and Results 1998	Provide quarterly risk assessment analysis by reviewing 100% of exceptions identified by CAEL and GMS.	*During 1998, reviewed 100% or 565 CAEL and 100% or 703 GMS exceptions.*
Annual Goal 1999	For FDIC-insured depository institutions, off site reviews are performed of all SCOR and GMS exceptions and LIDI/BIDI reviews are conducted; appropriate follow-up course of action if any, for identified supervisory concerns is determined.	
Annual Goal 2000	100% of supervisory concerns noted during off-site reviews of insured depository institutions are resolved without further action or are referred for examination or other supervisory action.	

Safety and Soundness Examinations

Annual Goal and Results 1997	Examination frequency requirements for all institutions. Perform 3,298[11] safety and soundness examinations.	*2,719 safety and soundness examinations were started which is 91% of the safety and soundness examinations required for the year.*
Annual Goal and Results 1998	Perform 3,081[12] safety and soundness examinations.	*2,399 safety and soundness examinations were started which is 86% of the safety and soundness examinations required for the year.*
Annual Goal 1999	On site safety and soundness examinations are performed in accordance with statutory requirements, FDIC policy and state agreements or as otherwise needed.	
Annual Goal 2000	On-site safety and soundness examinations on FDIC-supervised insured depository institutions are initiated in accordance with statutory requirements, FDIC policy, state agreements or as otherwise needed.	

[11] The number of safety and soundness examinations required during a given year changes as a result of mergers and acquisitions, failures and agreements with state authorities. As such, the actual number of examinations required during the year may not match the original estimates.
[12] Ibid.

Compliance Examinations

Annual Goal and Results 1997	Conduct compliance examinations in accordance with schedule guidelines. 1,955 compliance examinations.	*1,990 compliance examinations were started which is 102% of the compliance examinations required for the year.*
Annual Goal and Results 1998	Percentage of 1,610 compliance and CRA examinations according to an agreed-upon schedule[13].	*Started 1,989 examinations during 1998 or 124% of the annual target.*
Annual Goal 1999	On site CRA, consumer protection and Fair Lending law compliance examinations of FDIC-supervised insured depository institutions are conducted per Board policy; changes in compliance ratings of FDIC-supervised insured depository institutions are monitored.	
Annual Goal 2000	Compliance and CRA examinations are initiated in accordance with FDIC policy.	

[13] For 1998, the FDIC's Division of Compliance and Consumer Affairs (DCA) projected that the target of starting 1,610 compliance and CRA examinations would result in 700 delinquent examinations on December 31, 1998. As of December 31, 1998, DCA exceeded the target by starting 1,989 examinations, reducing the number of delinquent examinations to 523.

Enforcement Actions

Annual Goals and Results 1997	Use formal and informal enforcement actions. Establish a benchmark to assess the effectiveness of formal and informal enforcement actions based upon assistance provided to banks with significant patterns of non-compliance.	*Undertook efforts to identify methods to assess effectiveness of formal and informal actions. Formal and Informal Action Tracking (FIAT) system reports were produced to detect data errors and better monitor activity.*
Annual Goal and Results 1998	Measure the effectiveness of formal and informal enforcement actions based upon migration of institutions of supervisory concern to satisfactory compliance and measure ratings changes after enforcement actions.	*As of December 31, 1998, 10 institutions were designated as compliance problems and rated "4".*
Annual Goals 1999	Corrective actions are taken, if appropriate, to address problems identified during compliance examinations; bank compliance with those actions is monitored.	
Annual Goal 2000	Prompt supervisory actions are taken on all institutions rated 4 and 5 for compliance to address problems identified during compliance examinations; compliance with those actions is monitored.	

Adjustments to Strategic Plan

The FDIC has made some minor adjustments to its 1998-2003 Strategic Plan. These adjustments include the following:

- Development of a new strategic goal and strategic objective in the Insurance Program to reflect efforts associated with international deposit insurance activities

- Rewording and realignment of a strategic objective in the Supervision Program associated with entry and expansion (i.e., applications) into the insured depository system

New Strategic Goal and Strategic Objectives

A new strategic goal and two strategic objectives have been added to the Insurance Program. This adjustment has been made to emphasize strategies and initiatives employed in support of international deposit insurance. The new strategic goal and the strategic objectives are as follows:

- Strategic goal:

  U.S. leadership on deposit insurance is provided to ensure support for international financial stability

- Strategic objectives:

  Coordinate the FDIC's participation on issues related to global financial stability, including the dissemination of the FDIC's expertise and experience on supervisory, resolution and receivership and deposit insurance issues

  And

  FDIC staff skills in supervisory, resolution and receivership and deposit insurance issues are maintained and enhanced

Rewording and Realignment of a Strategic Objective

In an effort to more clearly differentiate activities associated with the FDIC's role as insurer from its role as supervisor, a strategic objective in the Supervision Program has been split into two objectives. The original objective in the Supervision Program:

- Entry and expansion in the system are consistent with prudential standards

Recognizing that the FDIC's role in monitoring entry into the financial system is an Insurance function, a new objective was developed in support of the Insurance strategic goal, "Deposit insurance funds remain viable." The new objective states, "Entry into the system through applications for deposit insurance is consistent with prudential standards." The original objective which supports the Supervision Program is now limited to the monitoring of applications for expansion in the system.

Tree Diagrams

Included on the proceeding pages are the tree diagrams depicting the Strategic Results, Strategic Goals and Strategic Objectives for the FDIC's Insurance, Supervision and Receivership Management Programs. Also included is the tree diagram depicting the Operating Principle, Resource Goals and Resource Objectives for the Effective Management of Strategic Resources area.

Insurance Program

Strategic Result	Strategic Goals	Strategic Objectives
Insured depositors are protected from loss without recourse to taxpayer funding	Customers of failed insured depository institutions have timely access to insured funds and services	Appropriate closing procedures are in place Contingency plans are in place to deal with future banking crises
	Deposit insurance funds remain viable	Risks to insured depository institutions are identified and communicated to the industry and its supervisors Entry into the system through applications for deposit insurance is consistent with prudential standards Assessment revenues are sufficient to maintain the designated reserve ratio Investment strategies provide liquidity, preserve capital and maximize returns, subject to statutory limitations
	Consumers know what funds are insured	Insured depository institutions make accurate disclosures Deposit insurance information is provided to the industry and consumers
	U.S. leadership on deposit insurance is provided to ensure support for international financial stability	Coordinate the FDIC's participation on issues related to global financial stability, including the dissemination of the FDIC's expertise and experience on supervisory, resolution and receivership and deposit insurance issues FDIC staff skills in supervisory, resolution and receivership and deposit insurance issues are maintained and enhanced

Supervision Program: Safety and Soundness

Strategic Result	Strategic Goals	Strategic Objectives
Insured depository institutions are safe and sound	Insured depository institutions appropriately manage risk	Risks to insured depository institutions are identified and integrated into the supervisory process Insured depository institutions comply with laws and regulations relating to safety and soundness Adequacy of management systems to monitor, identify and control risk are evaluated and action taken as appropriate Riskier insured depository institutions are charged higher premiums Adequacy of management ability to address Y2K is evaluated and action taken as appropriate FDIC takes action as appropriate to promote market discipline of insured depository institutions Industry officials are aware of FDIC's approach to safety and soundness practices Expansion in the system is consistent with prudential standards
	Problem insured depository institutions are recapitalized, merged, closed or otherwise resolved	Problem insured depository institutions are identified Problem insured depository institutions are appropriately addressed

Supervision Program: Consumer Rights

Strategic Result	Strategic Goals	Strategic Objectives
Consumers' rights are protected and FDIC-supervised insured depository institutions invest in their communities	Consumers have access to easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws	Consumer information is provided to FDIC-supervised insured depository institutions and the public Complaints and inquiries are responded to in a timely manner Outreach activities are conducted for community groups and insured depository institutions to promote community development
	FDIC-supervised insured depository institutions comply with consumer protection, CRA and fair lending laws	FDIC-supervised insured depository institutions are examined to determine their understanding of and compliance with laws and regulations and CRA examination results are made public Effective action is taken to correct identified violations of laws and regulations FDIC application process properly considers consumer protection, CRA and fair lending laws

Receivership Management Program

Strategic Result	Strategic Goals	Strategic Objectives
Recovery to creditors of receiverships is achieved	Failing insured depository institutions are resolved in the least-costly manner in accordance with law	Assets and liabilities are valued and assessed Failing insured depository institutions are marketed broadly
	Receivership assets are managed and marketed to maximize net return	Receivership assets are inventoried and valued Effective disposition strategies are executed in a timely manner Assets are effectively serviced
	Professional liability and other claims of the receivership are pursued in a fair and cost effective manner	Potential claims and recovery sources are investigated Valid claims with a reasonable potential for recovery in excess of costs are pursued in a timely manner Claims with public policy value are pursued
	Receivership claims and other liabilities are resolved in a fair and cost effective manner	Potential claimants are notified Asserted claims are reviewed and resolved in accordance with applicable law

Effective Management of Strategic Resources

Operating Principle	Resource Goals	Resource Objectives
Corporate resources are managed effectively to enable the Corporation to fulfill its mission	Sufficient and reliable information is maintained and disseminated	Information that affects the FDIC and the industry is identified and acquired Information is shared internally and externally, subject to confidentiality safeguards Accurate, consistent and timely information and analysis are provided to the Congress, Federal and state supervisory authorities, insured depository institutions and the public
	Information technology is provided to support the Corporation's strategic direction and annual performance objectives	Computer systems are Y2K compliant Application systems are provided and maintained to support Corporate activities An efficient and effective information technology infrastructure is maintained to support Corporate activities
	The FDIC's workforce is professional, efficient and highly skilled	The size and skills of the FDIC workforce are matched to current and projected workload The FDIC's workforce is well trained and flexible A new generation of managers and senior professionals is developed to succeed the current leadership The FDIC work environment is one that supports and fosters a diverse workforce
	The FDIC has a strong internal control and risk management program	Corporate risks are identified, evaluated, monitored and managed on an on-going basis Corporate managers and employees are aware of the importance of strong internal controls