

**Symbol of Confidence**

## Note To Readers

**F**or more than a half-century, the Federal Deposit Insurance Corporation (FDIC) has protected depositors' accounts and promoted sound banking practices. This pamphlet explains the FDIC's history, structure and operations and is designed to expand public awareness of how the FDIC achieves its objectives. With this knowledge, readers will understand why the FDIC's signs in banks across the nation have become a symbol of confidence to the banking public.



L. William Seidman  
Chairman

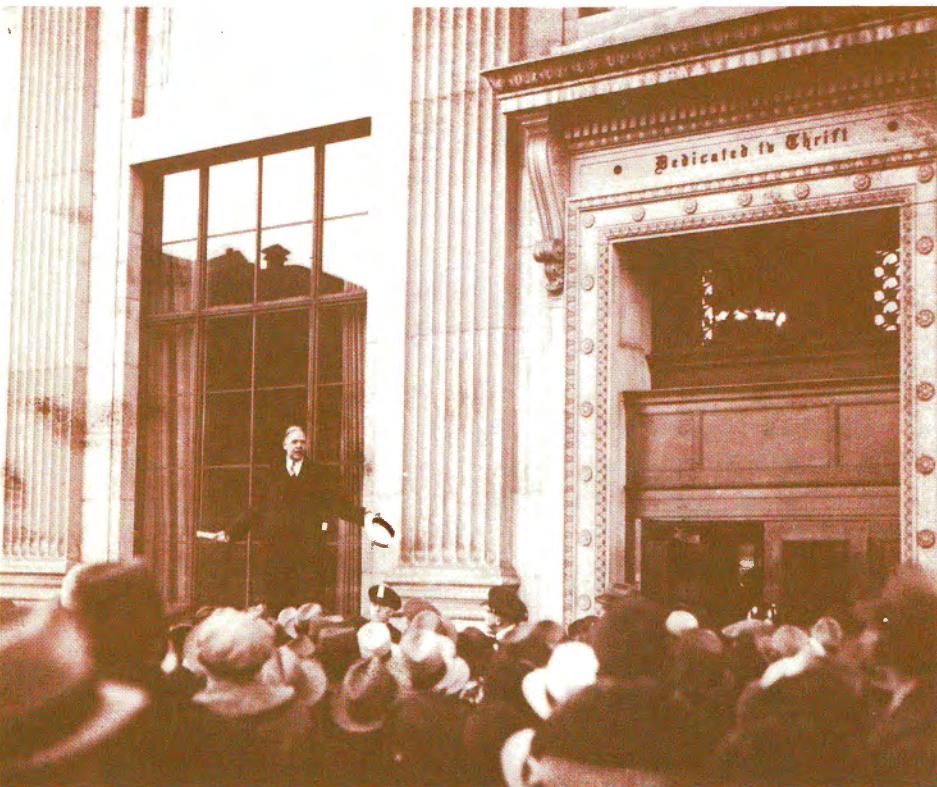
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**T**he FDIC was chartered by Congress in the Banking Act of 1933 as an independent agency of the federal government. The FDIC opened for business on January 1, 1934, at the height of the Great Depression, following a banking crisis that saw thousands of banks close.

From 1886 to 1933, there were unsuccessful attempts to establish deposit insurance protection on a national basis. The severe Depression of the 1930s finally convinced the nation that positive measures of a national scope were needed to protect against the disastrous losses associated with bank failures.



President Roosevelt signing the Banking Act of 1933, which established the Federal Deposit Insurance Corporation. Surrounding him (l to r) are Sen. A. W. Barkley (KY); Sen. Thomas P. Gore (OK); Sen. Carter Glass (VA); J.F.T. O'Connor, Comptroller of the Currency; Sen. William G. McAdoo (CA); Rep. Henry B. Steagall (AL); Sen. D. U. Fletcher (FL); Rep. T. Alan Goldsborough (MD).



Bank official pleading with a crowd not to withdraw funds in the course of a "run" in 1931.

The FDIC's first and most urgent task was to help restore public confidence in banks. The FDIC's insurance function was quickly buttressed by the development of a bank supervisory program that to this day minimizes risk to the FDIC's insurance fund by fostering safe and sound banking practices. Protection of bank depositors continues to provide an important stabilizing influence on the economy.

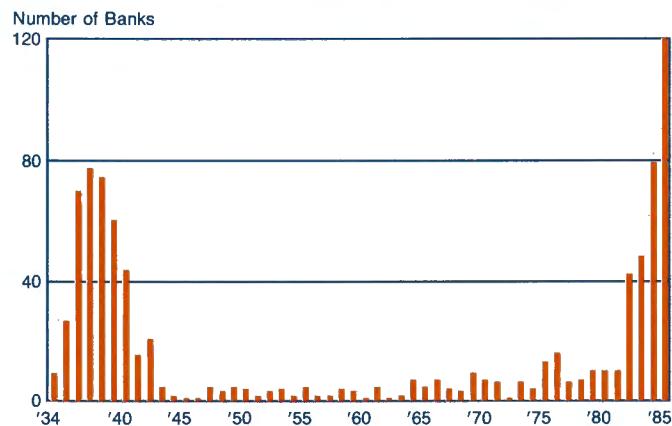
A comparison of the number of bank failures before and since establishment of federal deposit insurance provides a direct, if simplified, measure of its achievement.

From 1900-1919, an average of 82 banks failed each year. The number rose to 588 per year during the generally prosperous twenties. In the Depression years of 1930-1933, the number of failures rocketed to an average of 2,277 per year. The climax came in 1933 when some 4,000 banks closed their doors.

After the introduction of deposit insurance on January 1, 1934, the number of bank failures declined sharply. From 1934 through 1942, failures averaged 43 per year. Most of these casualties were fundamentally unsound banks that reopened after the banking holiday of 1933. Subsequently, the failure rate declined markedly. From 1943 through 1985, failures each year have ranged from one to 120, totaling 482 for the 43 years, for an average of 11 failures each year. The failure rate in recent years has risen sharply due to economic difficulties in areas such as agriculture, energy development and commercial and residential real estate.

Constructive banking laws and the efforts of other federal and state supervisory agencies also have played an important part in maintaining stability, as has the general prosperity that has prevailed in the decades since the Great Depression. The FDIC for its part has contributed significantly to restoration and maintenance of public confidence in banks and in helping improve banking practices.

Insured Bank Failures, 1934 – 1985



# Insurance Coverage

**I**n general, a depositor's savings, checking and other deposit accounts are insured in the aggregate up to \$100,000 in each commercial and mutual savings bank insured by the FDIC. Separate \$100,000 coverage is provided to holders of Keogh Plan Retirement Accounts and Individual Retirement Accounts. Deposits in most savings and loan associations and shares in most credit unions are insured by separate federal entities.

Coverage for accounts held by individuals and businesses applies to checking accounts and to time or savings accounts, or to any combination of such accounts, in each insured bank. A depositor is insured up to \$100,000 in the aggregate with respect to deposits he or she holds in the same right and capacity in each insured bank, including all domestic branches of a bank. (The terms "right" and "capacity" refer to the nature of ownership of deposits, such as individual, joint or trust deposits.) A depositor may obtain more coverage by opening like accounts at different insured banks, but not at different branches of the same bank. From its periodic surveys of the number and size of deposit accounts in insured banks, the FDIC estimated at year-end 1984 that about 76.9 percent of total deposits were fully protected.

All member banks in the Federal Reserve System are required by federal law to have deposit insurance. These include national banks chartered under federal law by the Comptroller of the Currency and state-chartered banks that voluntarily obtain membership in the Federal Reserve System. State-chartered banks that are not members of the Federal Reserve System are required by law or policy in most states to carry federal deposit insurance and accounted for about 57 percent of all insured banks at year-end

1985. In 1978, Congress provided that U.S. branches of foreign banks were eligible to obtain federal deposit insurance and, in some cases, required that these branches become insured.

Each bank pays for the cost of insurance through annual assessments based on its deposit volume. After deducting the FDIC's administrative and operating costs, non-recoverable insurance expenses, additions to reserves for losses and credits to banks, these assessments are paid into the deposit insurance fund, which is invested in U.S. Government securities. Interest income from these investments also is added to the insurance fund. The fund balance has increased in each year of the FDIC's existence and amounted to \$17.2 billion at the end of 1984.

Depositors in insured failed banks have realized full recovery of their accounts up to the insurance limit. Overall, including the uninsured portions of their deposits, depositors have recovered about 99.4 percent of their total deposits from January 1, 1934, through December 31, 1984. Of course, recoveries on the uninsured portions will vary from case to case.

When federal deposit insurance became effective on January 1, 1934, coverage was limited by law to \$2,500 per depositor. Coverage was raised to \$5,000 on July 1 of that year, and to \$10,000 by the Federal Deposit Insurance Act of 1950. Subsequent changes in the law increased coverage to \$15,000 on October 16, 1966, to \$20,000 on December 23, 1969, to \$40,000 on November 27, 1974, and to \$100,000 on March 31, 1980.

# Bank Supervision

**B**ank examinations are the front line of the FDIC's operations to promote and maintain the safety and soundness of banks and to secure compliance with consumer and civil rights laws. By law, the FDIC is responsible for supervising and regulating insured state-chartered banks that are not members of the Federal Reserve System and insured state-licensed branches of foreign banks. The FDIC's partner agencies, the Office of the Comptroller of the Currency and the Board of Governors of the Federal Reserve System, similarly supervise national banks and federal branches of foreign banks and state-chartered banks that are members of the Federal Reserve System, respectively. State banks also are supervised and regulated by state banking authorities. The FDIC supplements its own examination activities by reviewing reports of examinations made by these other agencies, and in the case of national banks, it often joins in examinations with the Comptroller's staff.

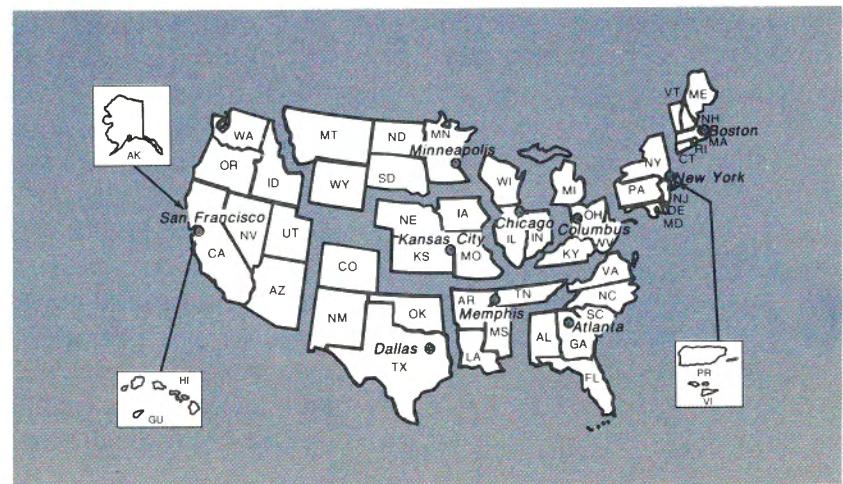
The FDIC depends on a corps of skilled, dedicated and well-trained bank examiners to perform the basic supervisory function. They are supported by administrative, policy and review officials in the Division of Bank Supervision in Washington, D.C. The FDIC's 7,125 employees at year-end 1985 included about 1,542 bank examiners who work from 105 field offices throughout the nation. About 3,300 of the FDIC's employees are engaged in the liquidation of the assets of failed banks.

Corporation examiners conduct about 10,000 bank examinations and investigations each year. They consist of:

- examinations into the safety and soundness of bank operations;
- examinations for bank compliance with consumer protection and civil rights laws;

- examinations of bank trust department and electronic data processing operations;
- special investigations;
- investigations in connection with bank applications to obtain insurance, establish branches or merge, or other applications that would affect a bank's structure or ownership.

Bank examination is one of the most effective supervisory tools for protecting depositors and promoting sound banking. Through bank examinations, the FDIC determines the condition of each bank and obtains a better understanding of the risks the FDIC assumes in insuring the bank's deposits. In every examination, the adequacy of the bank's capital, the quality of its assets, and the availability of adequate funds are carefully studied. Other items given special attention are the effectiveness of internal and external controls, the use of sound accounting procedures, and the adequacy of fidelity bond coverage to protect against extraordinary losses resulting from dishonest acts of officers or employees. Finally, the overall quality of the bank's management is carefully evaluated.





FDIC examiners evaluate a bank's records and prepare their examination report.  
(Photo - Chad Evans Wyatt)

Examination findings make it possible for FDIC examiners to offer bank managers constructive suggestions for improving policies and practices. Each examination report contains a section that outlines any unacceptable banking practices or violations of law discovered and suggests corrective steps. FDIC examiners also meet routinely with bank boards of directors to ensure the boards are familiar with potential problems identified in the examination process. By keeping a close watch on each insured bank, the FDIC and other bank regulators seek to avert situations that might lead to problems.

If a bank persists in following unsafe or unsound practices or in violating a law or regulation, the FDIC may initiate proceedings to issue a cease-and-desist order against the bank or one or more of its officers. This action could result in civil penalties, removal of senior management and termination of the bank's insurance. Also, if a court order is issued and ignored and a finding of contempt ensues, it ultimately could result in criminal penal-

ties. Formal enforcement action of any kind, however, is never taken without prior warning to the bank and only after efforts have been made with the bank and other supervisors to correct objectionable practices. At the end of 1985, 360 cease-and-desist orders were in effect.

In 1979, the FDIC received power to levy civil money penalties for certain violations or improper activities. Forty-six civil money penalties against individuals were levied in 1985.

Insurance termination seldom occurs because the problems are corrected or the bank merges with a healthy bank. By the end of 1985, the FDIC had issued 75 notices of insurance termination but no actual terminations occurred because the banks ceased operations before the termination was effective. Even when insurance is terminated, existing deposits, less subsequent withdrawals, continue to be insured by the FDIC for two years.

Other supervisory powers which are useful in promoting a healthy banking structure include the power to require periodic "Reports of Income and Condition" from insured institutions and the authority to prescribe regulations governing various banking practices. These reports provide a statistical basis for evaluating the sources of bank funds and the loans and other uses to which banks put those funds. Significant trends or changes in banking practices often can be detected by analysis of such statistics. Computer analysis of these quarterly reports has become an important tool for monitoring banks' condition between examinations.

The FDIC, in coordination with other bank supervisory agencies, compiles and publishes various banking data in the Uniform Bank Performance Report. It uses advanced computer technology and programming to gather and report complete, accurate and timely banking statistics. Besides their primary role of supporting supervision, these statistics provide a fringe benefit as banks use them in market and cost analysis. The reports also are available to the public.

The FDIC has always encouraged the development of uniform standards and procedures among the federal and state supervisory authorities. The federal financial regulatory agencies have

## If a Bank Fails . . .

nations or visits, meetings with bank boards of directors or other informal means, the FDIC may resort to a cease-and-desist action or other formal enforcement means in the same way that it would for violations of any other laws.

The FDIC also mounts a major effort to inform bank customers of their rights and protections under consumer credit and civil rights statutes.

Measures to promote sound banking are central to federal deposit insurance, and supervision by the FDIC and other federal and state agencies has substantially reduced the likelihood of bank failure. However, banks are subject to the uncertainties that confront any business enterprise in a free economy. In the rare event that a federally insured bank is closed by its chartering authority, the FDIC is ready to respond immediately.

The FDIC acts as soon as the bank's chartering authority — the state, or the Comptroller of the Currency in the case of a national bank — closes the institution. The FDIC often is able to arrange a deposit assumption, in which another bank, either new or existing, takes over many of the assets of the failed bank and assumes both insured and uninsured deposits. If such a transaction cannot be arranged, the FDIC pays off all depositors up to the insured maximum or transfers the insured deposits to a healthy institution as soon as possible. A deposit assumption usually takes less than three days, often with no interruption of banking services. A direct payoff or deposit transfer begins within a few days of a bank's closing. The FDIC arranged deposit assumptions in 494 of the 867 failures from 1934 through 1985, and made direct payoffs in the remaining 373 instances including 19 insured deposit transfers.

In the event of a deposit payoff or transfer, the FDIC immediately makes payment in full to each depositor up to the insurance limit. Deposit amounts in excess of the limit are usually treated the same as other general debts of the bank and their owners share pro rata in the appropriate portion of the proceeds realized from liquidation of the bank's assets. However, the FDIC may deter-

mine that a certain percentage of the uninsured deposits will eventually be paid through liquidation of the remaining assets of the bank and pay a portion (cash advance) of the uninsured deposits based on that expectation. Further payments to the uninsured depositors are made as the remaining assets are liquidated.

When a purchase and assumption transaction is arranged, the FDIC effectually passes to the assuming bank a "clean" institution devoid of problem assets. The remaining assets, which may include poor quality loans and investments, are then liquidated by the FDIC.

In the event of a payoff of depositors where other banking facilities are not available, the FDIC may organize and operate a special type of bank, called a deposit insurance national bank, to provide limited banking service to a community for up to two years. This type of bank is established by transferring to it the insured deposits of the failed bank. A deposit insurance national bank accepts and pays deposits, but generally does not make loans. When such a bank is organized, it is done with the objective of eventual transfer to private ownership, although this has seldom been successful. If a transfer does not occur within two years, the FDIC winds up the bank's affairs, pays off depositors and puts its assets into liquidation.

In 1950, Congress gave the FDIC additional authority to make loans, purchase assets, or deposit funds in any insured bank (direct assistance) which has closed or is in danger of closing, if continued operation of the bank is considered essential to the banking needs of the community. This authority offers more flexibility in handling potential failure cases and has been used in nine cases through June 30, 1985.

Section 13 of the Federal Deposit Insurance Act authorizes the FDIC to take direct action to reduce or avert a threatened loss to the FDIC and arrange a merger of a failed or failing insured

bank with another insured bank. Under certain circumstances these powers are available for insured banks whose stability is threatened because of severe financial conditions. The FDIC may make loans secured in whole or in part by assets of an open or closed bank, or it may purchase any assets or guarantee any other insured bank against loss by reason of the FDIC assuming the liabilities and purchasing the assets of an open bank. From 1981 through 1984, the FDIC used its powers under Section 13 to arrange open bank mergers for 14 mutual savings banks and two commercial banks. In each instance the financial assistance provided to the acquiring insured commercial or mutual savings bank to facilitate the mergers was less than would have been required if the problem were handled as a closed bank purchase and assumption or direct payoff transaction.

In 1982, Congress gave FDIC new powers (Garn St Germain Act) to increase or maintain the capital of qualified institutions by making periodic purchases of capital instruments known as net worth certificates. To qualify, institutions must be FDIC or state insured, have low net worth, be suffering operating losses, and have significant resources invested in residential mortgages. At year end 1985, 21 depository institutions had net worth certificates outstanding totaling \$705.4 million. The net worth certificate program will expire April 15, 1986, unless the Congress extends the legislation.

# Liquidation

**L**iquidations may extend for years, but depositors are paid their insured deposits almost immediately after a bank closing. The FDIC, through its liquidation of failed bank assets, then seeks to recover the costs to the insurance fund, settle the closed bank's debts, and return any excess to shareholders and other creditors.

The FDIC's Division of Liquidation is responsible for this process of turning assets of failed banks into cash. Such assets may include poor quality loans and investments, bank buildings and equipment and security from defaulted loans. These last may include land, businesses or other property.

The FDIC's experience in handling numerous liquidation cases and its financial resources enable it to avoid forced sales of bank assets and to seek the best return on them. A principal concern in the liquidation of a closed bank is to minimize any adverse effect on the economic stability and well-being of the community.

The FDIC's procedure in disposing of assets it retains from a deposit assumption is to repay the insurance fund first and then to return any excess to shareholders. When the FDIC has paid off insured depositors, it shares any liquidation proceeds proportionately with general creditors and with depositors having deposits in excess of the insurance limit.

The Division of Liquidation was handling assets of failed banks, exclusive of the assets of Continental Illinois National Bank, having a book value estimated at \$5.23 billion at the end of 1984.

Deposits in all closed banks requiring FDIC disbursements from 1934 through 1984 totaled \$28.3 billion. Disbursements by the FDIC in all closed bank or other insurance transactions from 1934 through 1984 amounted to \$13.3 billion. Recoveries made or expected from liquidation of failed bank assets amounted to about \$6.9 billion, resulting in an estimated net cost to the FDIC of \$6.4 billion. These figures change continually as new recoveries are

paid into the insurance fund and new insurance costs are paid out.

The FDIC's activities on behalf of individual depositors have had the correlative effect of helping to protect the nation's money supply. Before 1933, it was not uncommon for large portions of the money supply simply to disappear in the wake of the numerous bank failures. For example, from 1929 through 1933, demand deposits, a major element of the money supply, dropped by more than \$8 billion, although not entirely due to bank closures. By giving depositors confidence in the banking system and by replacing deposits lost in bank failures, the FDIC helps preserve the economic lifestream of communities affected by bank failures.

# The Insurance Fund

**T**he FDIC began insurance operations in 1934 with \$289 million of initial capital provided by the U.S. Treasury and the Federal Reserve Banks, augmented by authority to borrow up to three times that amount. The FDIC was able to retire this capital, on which it subsequently paid \$81 million in interest, in 1948. In the process the FDIC laid the groundwork for the building of a sound and sizable insurance fund which in December 1984 amounted to \$17.2 billion. In addition, the FDIC has contingent authority to borrow up to \$3 billion from the U.S. Treasury in an emergency, but the need to exercise this authority has never arisen.

The two principal sources of income for the insurance fund are assessments on insured banks and interest income. The 1933 Act levied an assessment for insurance at a rate equal to  $\frac{1}{2}$  of one percent of annual assessable deposits. Half of the assessment was paid immediately with the remainder subject to call. This formula was superseded in 1935 by terms of the Banking Act of 1935 that reduced the annual assessment to  $\frac{1}{12}$  of one percent of average total deposits. That rate still serves as the basis of the assessment, but the effective amount was significantly modified in 1950. A law of that year directed that 60 percent of banks' assessments remaining after the FDIC has deducted insurance losses and expenses be made available to banks as a credit against future assessments. This credit was increased by law in 1961 to 66 $\frac{2}{3}$  percent and then returned to 60 percent in 1980, when insurance was increased to \$100,000. Since 1961, the effective net assessment rate has ranged between  $\frac{1}{30}$  and  $\frac{1}{13}$  of one percent a year of average total deposits.

The Congress in 1980 further amended the FDI Act to authorize the FDIC's Board of Directors to make adjustments to the assessment credit within certain limits generally to maintain the insurance fund at no less than 1.10 percent and no more than 1.40 percent of total insured deposits. As of December 31, 1984, the FDIC insurance fund represented 1.23 percent of estimated insured deposits. The FDIC's other source of income is from investments. Since 1961, income from FDIC holdings of U.S. Government securities has exceeded income from assessments. These two sources produced nearly all of the \$3.03 billion in gross income added to the insurance fund in 1984. After deductions for losses, expenses and credits to banks, the deposit insurance fund retained a net increase of \$1.7 billion in 1984.

# Organization and Structure

**C**ongress created the FDIC as an independent agency of the federal government. The FDIC receives no appropriated funds. However, the FDIC is subject to congressional oversight. It annually reports to Congress on its operations and its Chairman appears before congressional committees from time to time at their request to testify on FDIC operations. The FDIC is also subject to audit by the U.S. General Accounting Office. The FDIC's employment practices are conducted within the framework of civil service regulations. The law vests management of the FDIC in a three-member Board of Directors. Two directors are citizens appointed by the President with the advice and consent of the Senate for six-year terms. One of these appointed Directors is elected by vote of the Board to be Chairman. The Comptroller of the Currency, who serves ex officio as the Board's third member, also is appointed by the President with the advice and consent of the Senate for a five-year term. Only two members of the Board may be members of the same political party.

The FDIC's responsibilities are carried out by ten Divisions and Offices, including the Division of Bank Supervision and the Division of Liquidation. Following are the responsibilities of the other FDIC components.

The Legal Division furnishes the legal services necessary to enable the FDIC to discharge its duties. The Division drafts and interprets regulations that are required by law. It monitors the performance of outside attorneys hired to represent the FDIC in court actions connected with liquidation of closed banks. There could be thousands of such actions in litigation at any one time. The Division serves as the FDIC's litigation arm, handling proceed-

ings for cease-and-desist actions and other formal enforcement processes.

The Division of Accounting and Corporate Services is responsible for all finances of the FDIC and for administrative and support services including budget preparation, accounting, bank statistics, computer support, building maintenance, telecommunications, library services, graphic design and printing.

The Division of Research and Strategic Planning provides research and analyses to the Board of Directors and to other divisions and offices of the FDIC on current and emerging issues, economic and financial developments, and policy issues related to the FDIC's legislative, regulatory and administrative activities.

FDIC's Office of Personnel Management (OPM) is responsible for programs for the hiring, training, advancement and recognition of FDIC employees, development and administration of employee benefit programs, position and pay management, handling labor-management relations, grievances and upward mobility, and sponsoring the Employee Advisory Council.

The Office of Equal Employment Opportunity (OEEO) develops affirmative programs for the employment and advancement of women and minorities in the FDIC's workforce.

The Office of Corporate Audits (OCA) has complete internal audit and investigative responsibility for the FDIC's financial and operational activities. OCA audits assist the Board of Directors and staff management officials in applying resources efficiently, economically and effectively.

The Office of the Executive Secretary performs Corporate secretarial functions, coordinates and administers FDIC compliance with laws such as the Freedom of Information Act, the Government in the Sunshine Act and the Privacy Act of 1974, and serves as the FDIC's Ethics Counselor under the Ethics in Government Act of 1978 and the FDIC's own regulations.

# Achievements

The Office of Congressional Relations and Corporate Communications has a dual role. The Office of Congressional Relations in cooperation with other Corporate divisions and offices advises the Board of Directors on legislative issues, prepares testimony, and responds to congressional inquiries regarding pending legislation and FDIC operations. The Office of Corporate Communications, which is a part of the Congressional Relations office, is the FDIC's point of contact with banks, the news media and depositors. It also prepares and distributes information on regulations, the FDIC's Annual Report, news releases, the FDIC News and other informational materials.

Three internal committees advise the Board of Directors on policy matters. The Board of Review considers and makes recommendations or acts pursuant to delegated authority on substantially all cases relating to applications by banks for FDIC consent. A Liquidation Committee reviews all matters relating to receivership and purchase and assumption cases. The Budget and Management Committee makes recommendations concerning all major policy issues as well as the administrative expenditures and management practices of the FDIC.

- The FDIC has helped reduce bank failures to a very small number.
- Depositors enjoy an absolute guarantee up to the prescribed limit against loss of an insured deposit resulting from a bank's insolvency.
- Losses on deposits exceeding the insurance maximum have been minimal, largely because of the discipline exerted by bank supervision.
- An important part of the nation's money supply — bank deposits — is protected from erosion that otherwise would occur because of bank failures.
- Minimal insurance claims and good recoveries on assumed assets have enabled the FDIC to build up sizable insurance reserves.
- Depositor confidence in the nation's banks has been maintained at a high level.
- Banking policies and practices have been improved, and overall safety and soundness of bank operations have been strengthened.

# Conclusion

**T**he FDIC's primary mission since its establishment in 1933 has been to foster the safety and soundness of institutions so that the American public can continue to bank with confidence. The challenge of this task grows with the increasing complexity and expansion of the nation's economy and its banking system. We at the FDIC remain dedicated to our goals. For the millions of persons using checking accounts, savings accounts and other bank deposits and services, we trust that the seal of this Corporation will always be a symbol of confidence.

# Appendix

## Major Statutes Administered by the FDIC

FEDERAL DEPOSIT INSURANCE ACT OF 1950 (12 U.S.C. 1811) sets forth the powers of the FDIC. It includes the procedures by which a bank qualifies for deposit insurance, the maximum extent to which deposits are insured and the procedures to be followed by the FDIC in supervising banks and enforcing its regulations.

GARN-ST GERMAIN DEPOSITORY INSTITUTIONS ACT OF 1982 (12 U.S.C. 226) gives greater powers to the FDIC, the Federal Savings and Loan Insurance Corporation and the National Credit Union Administration to assist troubled financial institutions. The Act grants federal thrift institutions authority to accept demand accounts and make commercial loans. The Act also preempts due-on-sale prohibitions in certain circumstances, and makes numerous other technical changes to existing banking laws and regulations.

INTERNATIONAL BANKING ACT OF 1978 (U.S.C. 3101) provides for the federal supervision of foreign banks operating in the U.S. It requires a foreign bank to obtain federal deposit insurance for U.S. branches whenever the branches accept deposits of less than \$100,000, unless the branches are determined not to be engaged in domestic retail operations. The FDIC has primary federal supervisory responsibility for FDIC-insured state-chartered branches of foreign banks.

COMMUNITY REINVESTMENT ACT OF 1977, Title VIII of the Housing and Community Development Act of 1977 (12 U.S.C. 2901) directs the FDIC to take into account a bank's record of meeting the credit needs of the communities it serves, including low- and moderate-income neighborhoods, when the

BANK SECRECY ACT (Public Law 91-508) requires FDIC-insured banks to maintain certain records on banking transactions and to report to the Department of the Treasury certain transactions in United States currency.

FAIR HOUSING ACT, Title VIII of the Civil Rights Act of 1968 (42 U.S.C. 3601) prohibits conduct that has the purpose or effect of discriminating because of race, color, religion, sex or national origin in the making of a loan for the purpose of purchasing, constructing, repairing, improving or maintaining a dwelling.

TRUTH IN LENDING ACT, Title I of the Consumer Credit Protection Act (15 U.S.C. 1601) requires certain disclosures of the terms of consumer credit for personal, family, household and agricultural purposes, and regulates consumer credit advertising so that individuals may compare the cost of credit among different financial institutions.

FAIR CREDIT REPORTING ACT, Title VI of the Consumer Credit Protection Act (15 U.S.C. 1681) protects consumers against the circulation of inaccurate or obsolete information and ensures that consumer reporting agencies adopt fair and equitable procedures for obtaining, maintaining and giving out information about consumers. The Act requires creditors to disclose when information in a credit report from a consumer reporting agency or from a third party contributes to a denial or an increase in the cost of consumer credit. It also requires the establishment of procedures to keep credit information accurate, relevant and confidential.

EQUAL CREDIT OPPORTUNITY ACT, Title VII of the Consumer Credit Protection Act (15 U.S.C. 1691) prohibits discrimination against any applicant for credit because of race, color, religion, national origin, sex, marital status or age.

FAIR DEBT COLLECTION PRACTICES ACT, Title VIII of the Consumer Credit Protection Act (15 U.S.C. 1692) protects consumers from unfair, harassing, and deceptive debt collection practices.

ELECTRONIC FUND TRANSFER ACT, Title IX of the Consumer Credit Protection Act (15 U.S.C. 1693) provides rights, liabilities, and responsibilities of participants in electronic fund transfer systems, with specific provisions on individual consumer rights.

FAIR CREDIT BILLING ACT (15 U.S.C. 1666) prohibits certain unfair and inaccurate billing and credit card practices. It prevents banks and other institutions that issue credit cards from offsetting an unpaid credit card bill against a customer's checking or savings account unless a court order has been obtained. The Act also requires prompt correction of billing errors involving credit or charge accounts.

HOME MORTGAGE DISCLOSURE ACT OF 1975 (12 U.S.C. 2801) requires any institution located in a Standard Metropolitan Statistical Area that makes loans secured by residential real property to disclose information on its mortgage lending activities and to make such information available to the public. The Act exempts institutions with assets of \$10 million or less; also, the Federal Reserve is empowered to exempt institutions in states that have mortgage disclosure laws substantially similar to the federal statute.

FDIC considers an application by a bank for deposit insurance, the establishment or relocation of a branch, a merger, a consolidation or the acquisition of the assets of another financial institution.

**BANK MERGER ACT OF 1966** (12 U.S.C. 1828(c)) requires FDIC approval for any merger in which the resulting bank is an FDIC-insured bank that is not a member of the Federal Reserve System (“insured nonmember bank”) or in which an FDIC-insured bank acquires the assets of a noninsured institution. The FDIC is generally prohibited from approving mergers or acquisitions which may substantially lessen competition.

**FEDERAL RESERVE ACT** (12 U.S.C. 221) includes restrictions on lending by insured nonmember banks to their insiders and restrictions on loans by insured nonmember banks to their affiliates.

**BANK HOLDING COMPANY ACT AMENDMENTS OF 1970**, as amended by Title VIII of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (12 U.S.C. 1972), in part, generally prohibits insured nonmember banks from requiring customers to obtain a service in exchange for credit or other services offered by the bank, and restricts insured nonmember banks from making certain loans to insiders of correspondent banks.

**DEPOSITORY INSTITUTIONS MANAGEMENT INTERLOCKS ACT**, Title II of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (12 U.S.C. 3201), places prohibitions on certain interlocking directorate and employment relationships among financial institutions.

**CHANGE IN BANK CONTROL ACT OF 1978**, Title VI of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (12 U.S.C. 1817(j)), prohibits the change in control of FDIC-insured nonmember banks without first giving notice of the proposed change to the FDIC and permitting the FDIC to disapprove any proposed change.

**BANK PROTECTION ACT OF 1968** (12 U.S.C. 1881) authorizes the federal financial institutions supervisory agencies to issue rules establishing minimum security measures for the institutions they regulate.

**BANK SERVICE CORPORATION ACT** (12 U.S.C. 1861) authorizes certain banks to invest in corporations that provide services for banks, such as check sorting, interest computation or electronic data processing, and subjects companies that provide such bank services to regulation and examination by the federal banking agencies.

**FLOOD DISASTER PROTECTION ACT OF 1973** (Public Law 93-234) requires the federal financial institutions supervisory agencies to issue regulations requiring flood insurance for certain loans secured by property located in designated special flood hazard areas.

**SECURITIES EXCHANGE ACT OF 1934** (15 U.S.C. 78a) is a comprehensive statute regulating transactions in securities. Each federal financial institution supervisory agency is given primary authority to regulate certain securities transactions of institutions under its supervision.

REAL ESTATE SETTLEMENT PROCEDURES ACT OF 1974 (12 U.S.C. 2601) requires consumers to be provided in a timely manner with specified information on the nature and cost of settlement on a real estate purchase.

INTERNATIONAL LENDING SUPERVISION ACT OF 1983, Title IX of the Domestic Housing and International Recovery and Financial Stability Act (Public Law 98-181), provides for the supervision and regulation of international lending by the FDIC and other federal bank regulatory agencies.

COMPREHENSIVE CRIME CONTROL ACT (Public Law 98-473) among other things, imposes criminal penalties on: anyone who bribes or tries to bribe a banker; any banker who accepts or solicits a bribe; anyone who receives property stolen from a bank; and anyone who attempts to defraud a federally chartered or insured bank.