



NEWS RELEASE

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FDIC ISSUES FINANCIAL RESULTS FOR '89; REPORTS SECOND ANNUAL DECLINE IN BANK FUND

The Federal Deposit Insurance Corporation today reported that preliminary data show the FDIC fund for bank deposits in 1989 experienced its second annual operating loss, declining to \$13.2 billion, or .7 percent of insured deposits. The preliminary year-end 1989 financial data presented to the FDIC Board of Directors have not yet been approved by the General Accounting Office (GAO).

FDIC Chairman L. William Seidman said: "Although the bank fund declined in 1989, the drop was considerably less severe than the previous year. In fact, the decline in problem banks over the past year or so and fewer bank failures so far in 1990 suggest an improvement in the fund overall in 1990, provided no large bank failures occur."

The FDIC reported for the first time on the three separate funds it now administers under terms of the Financial Reform, Recovery, and Enforcement Act of 1989 (FIRREA). The legislation requires the FDIC to report on the three funds -- the Bank Insurance Fund (BIF), the Savings Association Insurance Fund (SAIF) and the FSLIC Resolution Fund (FRF) -- in three separate sets of financial statements. Each fund's financial statements are being audited separately by the GAO.

The Bank Insurance Fund (BIF)

BIF generated an operating loss of \$851 million for 1989, decreasing the Fund balance from \$14.1 billion to \$13.2 billion. While this is a significant improvement over the Corporation's 1988 operating loss of \$4.3 billion, the high level of closed or assisted banks continued to create losses for BIF in 1989. During the year, 207 banks were closed or assisted at a cost to the

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FDIC of \$4 billion. "Even with the loss, BIF's liquidity remains strong, with liquid assets at year-end of \$14 billion, or 71 percent of total assets," Stanley J. Poling, Director of the FDIC's Division of Accounting and Corporate Services, said.

Savings Association Insurance Fund (SAIF)

The SAIF, created by FIRREA, held a zero balance at year-end. No revenue was recorded by the SAIF, as assessments from insured savings associations have been earmarked by FIRREA for other purposes. The \$5.6 million of administrative expenses incurred were funded by the FSLIC Resolution Fund as required by FIRREA.

SAIF assets totaled \$103 million, including cash equivalents of \$100 million. The FDIC in September authorized a special transition assessment against SAIF members that netted \$394 million. Of that, \$295 million was used for interest payments on bond issues on behalf of the former Federal Savings and Loan Insurance Corporation.

The FSLIC Resolution Fund (FRF)

FRF assumed all the assets and liabilities of the former Federal Savings and Loan Insurance Corporation except for the liability for estimated losses on unresolved savings and loan cases. This liability was passed to the Resolution Trust Corporation.

The FRF ended 1989 with an estimated deficit of \$56.7 billion, representing the remaining cost of S&L transactions assumed by the FDIC with the enactment of FIRREA. The Fund has \$64.9 billion in liabilities resulting from failures and assistance to savings associations and assets of about \$9.9 billion. While the Fund incurred an operating loss of only \$18.9 million for the period August 9, 1989, through December 31, 1989, it received Treasury payments of \$1.2 billion to fund past obligations from thrift failures and closings.

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