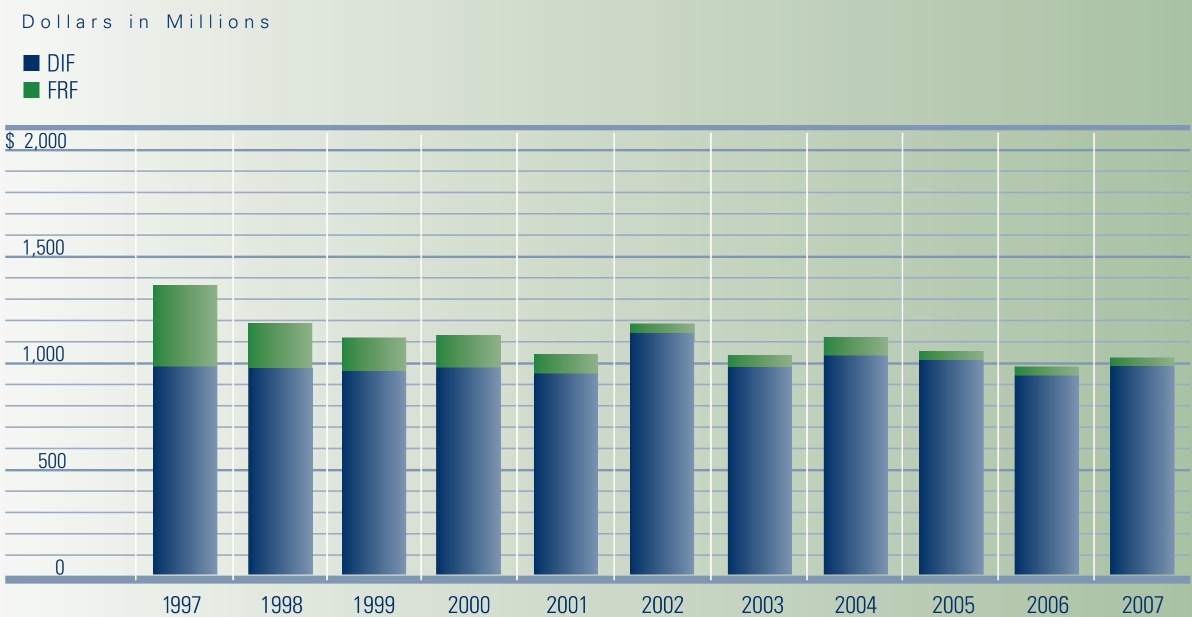
FDIC Expenditures 1997-2007



Notes:
The Deposit Insurance Fund (DIF) includes expenditures of the former Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF). The FSLIC Resolution Fund (FRF) includes expenditures relating to the former Federal Savings and Loan Insurance Corporation (FSLIC) and the Resolution Trust Corporation (RTC).

The FDIC's Strategic Plan and Annual Performance Plan provide the basis for annual planning and budgeting for needed resources. The 2007 aggregate budget (for corporate, receivership and investment spending) was $1.12 billion, while actual expenditures for the year were $1.01 billion, about $16 million more than 2006 expenditures.

Over the past ten years, the FDIC's expenditures have varied in response to workload. During the past decade, expenditures generally declined due to decreasing resolution and receivership activity. Total expenditures increased in 2002 due to an increase in receivership-related expenses.

The largest component of FDIC spending is for costs associated with staffing. Staffing increased by one percent in 2007, from 4,476 employees at the beginning of the year to 4,532 at the end of the year.

Estimated Insured Deposits and the Deposit Insurance Fund, December 31, 1934, through September 30, 2007[1]

		Dollars in millions					
		Deposits in Insured Institutions				Insurance Fund as a Percentage of	
Year[4]	Insurance Coverage	Total Domestic Deposits	Estimated Insured Deposits[2]	Percentage of Insured Deposits	Deposit Insurance Fund	Total Domestic Deposits	Estimated Insured Deposits
2007	**$ 100,000**	**$ 6,881,843**	**$ 4,241,307**	**61.6**	**$ 51,754.4**	**0.75**	**1.22**
2006	100,000	6,595,357	4,151,966	63.0	50,165.3	0.76	1.21
2005	100,000	6,168,146	3,890,911	63.1	48,596.6	0.79	1.25
2004	100,000	5,686,680	3,623,713	63.7	47,506.8	0.84	1.31
2003	100,000	5,182,016	3,451,117	66.6	46,022.3	0.89	1.33
2002	100,000	4,857,327	3,387,799	69.7	43,797.0	0.90	1.29
2001	100,000	4,481,888	3,210,727	71.6	41,373.8	0.92	1.29
2000	100,000	4,149,355	3,054,360	73.6	41,733.8	1.01	1.37
1999	100,000	3,802,744	2,868,881	75.4	39,694.9	1.04	1.38
1998	100,000	3,747,809	2,850,227	76.1	39,452.1	1.05	1.38
1997	100,000	3,507,493	2,746,006	78.3	37,660.8	1.07	1.37
1996	100,000	3,350,856	2,690,537	80.3	35,742.8	1.07	1.33
1995	100,000	3,318,513	2,663,560	80.3	28,811.5	0.87	1.08
1994	100,000	3,184,636	2,588,686	81.3	23,784.5	0.75	0.92
1993	100,000	3,220,109	2,602,043	80.8	14,277.3	0.44	0.55
1992	100,000	3,273,180	2.675,081	81.7	178.4	0.01	0.01
1991	100,000	3,330,738	2,734,073	82.1	(6,934.0)	(0.21)	(0.25)
1990	100,000	3,415,668	2,759,640	80.8	4,062.7	0.12	0.15
1989	100,000	3,414,066	2,756,757	80.7	13,209.5	0.39	0.48
1988	100,000	2,330,768	1,750,259	75.1	14,061.1	0.60	0.80
1987	100,000	2,201,549	1,658,802	75.3	18,301.8	0.83	1.10
1986	100,000	2,167,596	1,634,302	75.4	18,253.3	0.84	1.12
1985	100,000	1,974,512	1,503,393	76.1	17,956.9	0.91	1.19
1984	100,000	1,806,520	1,389,874	76.9	16,529.4	0.92	1.19
1983	100,000	1,690,576	1,268,332	75.0	15,429.1	0.91	1.22
1982	100,000	1,544,697	1,134,221	73.4	13,770.9	0.89	1.21
1981	100,000	1,409,322	988,898	70.2	12,246.1	0.87	1.24
1980	100,000	1,324,463	948,717	71.6	11,019.5	0.83	1.16
1979	40,000	1,226,943	808,555	65.9	9,792.7	0.80	1.21
1978	40,000	1,145,835	760,706	66.4	8,796.0	0.77	1.16
1977	40,000	1,050,435	692,533	65.9	7,992.8	0.76	1.15
1976	40,000	941,923	628,263	66.7	7,268.8	0.77	1.16
1975	40,000	875,985	569,101	65.0	6,716.0	0.77	1.18
1974	40,000	833,277	520,309	62.5	6,124.2	0.73	1.18
1973	20,000	766,509	465,600	60.7	5,615.3	0.73	1.21
1972	20,000	697,480	419,756	60.2	5,158.7	0.74	1.23
1971	20,000	610,685	374,568	61.3	4,739.9	0.78	1.27
1970	20,000	545,198	349,581	64.1	4,379.6	0.80	1.25
1969	20,000	495,858	313,085	63.1	4,051.1	0.82	1.29
1968	15,000	491,513	296,701	60.2	3,749.2	0.76	1.26
1967	15,000	448,709	261,149	58.2	3,485.5	0.78	1.33
1966	15,000	401,096	234,150	58.4	3,252.0	0.81	1.39
1965	10,000	377,400	209,690	55.6	3,036.3	0.80	1.45
1964	10,000	348,981	191,787	55.0	2,844.7	0.82	1.48
1963	10,000	313,304	177,381	56.6	2,667.9	0.85	1.50
1962	10,000	297,548	170,210	57.2	2,502.0	0.84	1.47
1961	10,000	281,304	160,309	57.0	2,353.8	0.84	1.47
1960	10,000	260,495	149,684	57.5	2,222.2	0.85	1.48
1959	10,000	247,589	142,131	57.4	2,089.8	0.84	1.47
1958	10,000	242,445	137,698	56.8	1,965.4	0.81	1.43
1957	10,000	225,507	127,055	56.3	1,850.5	0.82	1.46
1956	10,000	219,393	121,008	55.2	1,742.1	0.79	1.44
1955	10,000	212,226	116,380	54.8	1,639.6	0.77	1.41
1954	10,000	203,195	110,973	54.6	1,542.7	0.76	1.39
1953	10,000	193,466	105,610	54.6	1,450.7	0.75	1.37
1952	10,000	188,142	101,841	54.1	1,363.5	0.72	1.34
1951	10,000	178,540	96,713	54.2	1,282.2	0.72	1.33
1950	10,000	167,818	91,359	54.4	1,243.9	0.74	1.36
1949	5,000	156,786	76,589	48.8	1,203.9	0.77	1.57
1948	5,000	153,454	75,320	49.1	1,065.9	0.69	1.42
1947	5,000	154,096	76,254	49.5	1,006.1	0.65	1.32
1946	5,000	148,458	73,759	49.7	1,058.5	0.71	1.44
1945	5,000	157,174	67,021	42.4	929.2	0.59	1.39
1944	5,000	134,662	56,398	41.9	804.3	0.60	1.43
1943	5,000	111,650	48,440	43.4	703.1	0.63	1.45
1942	5,000	89,869	32,837	36.5	616.9	0.69	1.88
1941	5,000	71,209	28,249	39.7	553.5	0.78	1.96
1940	5,000	65,288	26,638	40.8	496.0	0.76	1.86
1939	5,000	57,485	24,650	42.9	452.7	0.79	1.84
1938	5,000	50,791	23,121	45.5	420.5	0.83	1.82
1937	5,000	48,228	22,557	46.8	383.1	0.79	1.70
1936	5,000	50,281	22,330	44.4	343.4	0.68	1.54
1935	5,000	45,125	20,158	44.7	306.0	0.68	1.52
1934[3]	5,000	40,060	18,075	45.1	291.7	0.73	1.61

[1] For 2007, the numbers are as of September 30, and prior years reflect December 31.

[2] Estimated insured deposits reflect deposit information as reported in the fourth quarter *FDIC Quarterly Banking Profile*. Before 1991, insured deposits were estimated using percentages determined from the June 30 *Call Reports*.

[3] Initial coverage was $2,500 from January 1 to June 30, 1934.

[4] For 1989 through 2005, amounts represent sum of separate BIF and SAIF amounts.

Income and Expenses, Deposit Insurance Fund, from Beginning of Operations, September 11, 1933, through December 31, 2007

Dollars in Millions

	Income					Expenses and Losses					
Year[7]	Total	Assessment Income	Assessment Credits	Investment and Other Sources	Effective Assessment Rate[1]	Total	Provision for Losses	Administrative and Operating Expenses[2]	Interest and Other Insurance Expenses	Funding Transfer from the FSLIC Resolution Fund	Net Income/(Loss)
Total	**$ 110,388.7**	**$ 62,909.8**	**$ 6,709.1**	**$ 54,777.0**		**$ 59,216.0**	**$ 36,191.8**	**$ 15,834.3**	**$ 7,195.9**	**$ 139.5**	**$ 51,312.2**
2007	**3,196.2**	**642.9**	**0.0**	**2,553.3**	**0.0094%**	**1,090.9**	**95.0**	**992.6**	**3.3**	**0**	**2,105.3**
2006	2,643.5	31.9	0.0	2,611.6	0.0005%	904.3	(52.1)	950.6	5.8	0	1,739.2
2005	2,420.5	60.6	0.0	2,359.9	0.0010%	809.5	(160.2)	966.2	3.5	0	1,611.0
2004	2,240.4	104.3	0.0	2,136.1	0.0019%	607.6	(353.4)	941.3	19.7	0	1,632.8
2003	2,174.0	95.2	0.0	2,078.8	0.0019%	(67.7)	(1,010.5)	935.5	7.3	0	2,241.7
2002	1,795.9	108.0	0.0	2,276.9	0.0022%	719.6	(243.0)	945.1	17.5	0	1,076.3
2001	2,729.7	82.8	0.0	2,646.9	0.0019%	3,123.4	2,199.3	887.9	36.2	0	(393.7)
2000	2,569.9	64.1	0.0	2,505.8	0.0016%	945.2	28.0	883.9	33.3	0	1,624.7
1999	2,416.6	48.3	0.0	2,368.3	0.0013%	2,047.0	1,199.7	823.4	23.9	0	369.6
1998	2,584.3	36.7	0.0	2,547.6	0.0010%	817.5	(5.7)	782.6	40.6	0	1,766.8
1997	2,165.6	38.7	0.0	2,126.9	0.0015%	247.3	(505.7)	677.2	75.8	0	1,918.3
1996	7,157.3	5,294.7	0.0	1,862.6	0.1627%	353.6	(417.2)	568.3	202.5	0	6,803.7
1995	5,229.1	3,876.9	0.0	1,352.2	0.1242%	202.2	(354.2)	510.6	45.8	0	5,026.9
1994	7,682.0	6,722.6	0.0	959.4	0.2185%	(1,825.1)	(2,459.4)	443.2	191.1	0	9,507.1
1993	7,356.8	6,684.3	0.0	672.5	0.2146%	(6,744.4)	(7,660.4)	418.5	497.5	0	14,101.2
1992	6,480.5	5,759.8	0.0	720.7	0.1807%	(596.8)	(2,274.7)	614.8[3]	1,063.1	35.4	7,112.7
1991	5,887.0	5,254.5	0.0	632.5	0.1605%	16,925.3	15,496.2	326.1	1,103.0	42.4	(10,995.9)
1990	3,856.3	2,873.3	0.0	983.0	0.0867%	13,059.3	12,133.1	275.6	650.6	56.1	(9,146.9)
1989	3,496.6	1,885.0	0.0	1,611.6	0.0833%	4,352.2	3,811.3	219.9	321.0	5.6	(850.0)
1988	3,347.7	1,773.0	0.0	1,574.7	0.0833%	7,588.4	6,298.3	223.9	1,066.2	0	(4,240.7)
1987	3,319.4	1,696.0	0.0	1,623.4	0.0833%	3,270.9	2,996.9	204.9	69.1	0	48.5
1986	3,260.1	1,516.9	0.0	1,743.2	0.0833%	2,963.7	2,827.7	180.3	(44.3)	0	296.4
1985	3,385.4	1,433.4	0.0	1,952.0	0.0833%	1,957.9	1,569.0	179.2	209.7	0	1,427.5
1984	3,099.5	1,321.5	0.0	1,778.0	0.0800%	1,999.2	1,633.4	151.2	214.6	0	1,100.3
1983	2,628.1	1,214.9	164.0	1,577.2	0.0714%	969.9	675.1	135.7	159.1	0	1,658.2
1982	2,524.6	1,108.9	96.2	1,511.9	0.0769%	999.8	126.4	129.9	743.5	0	1,524.8
1981	2,074.7	1,039.0	117.1	1,152.8	0.0714%	848.1	320.4	127.2	400.5	0	1,226.6
1980	1,310.4	951.9	521.1	879.6	0.0370%	83.6	(38.1)	118.2	3.5	0	1,226.8
1979	1,090.4	881.0	524.6	734.0	0.0333%	93.7	(17.2)	106.8	4.1	0	996.7
1978	952.1	810.1	443.1	585.1	0.0385%	148.9	36.5	103.3	9.1	0	803.2
1977	837.8	731.3	411.9	518.4	0.0370%	113.6	20.8	89.3	3.5	0	724.2
1976	764.9	676.1	379.6	468.4	0.0370%	212.3	28.0	180.4[4]	3.9	0	552.6
1975	689.3	641.3	362.4	410.4	0.0357%	97.5	27.6	67.7	2.2	0	591.8
1974	668.1	587.4	285.4	366.1	0.0435%	159.2	97.9	59.2	2.1	0	508.9
1973	561.0	529.4	283.4	315.0	0.0385%	108.2	52.5	54.4	1.3	0	452.8
1972	467.0	468.8	280.3	278.5	0.0333%	59.7	10.1	49.6	6.0[5]	0	407.3
1971	415.3	417.2	241.4	239.5	0.0345%	60.3	13.4	46.9	0.0	0	355.0
1970	382.7	369.3	210.0	223.4	0.0357%	46.0	3.8	42.2	0.0	0	336.7
1969	335.8	364.2	220.2	191.8	0.0333%	34.5	1.0	33.5	0.0	0	301.3
1968	295.0	334.5	202.1	162.6	0.0333%	29.1	0.1	29.0	0.0	0	265.9
1967	263.0	303.1	182.4	142.3	0.0333%	27.3	2.9	24.4	0.0	0	235.7
1966	241.0	284.3	172.6	129.3	0.0323%	19.9	0.1	19.8	0.0	0	221.1
1965	214.6	260.5	158.3	112.4	0.0323%	22.9	5.2	17.7	0.0	0	191.7
1964	197.1	238.2	145.2	104.1	0.0323%	18.4	2.9	15.5	0.0	0	178.7
1963	181.9	220.6	136.4	97.7	0.0313%	15.1	0.7	14.4	0.0	0	166.8
1962	161.1	203.4	126.9	84.6	0.0313%	13.8	0.1	13.7	0.0	0	147.3

continued on next page

Income and Expenses, Deposit Insurance Fund, from Beginning of Operations, September 11, 1933, through December 31, 2007 (continued)

Dollars in Millions

	Income					Expenses and Losses					
Year[7]	Total	Assessment Income	Assessment Credits	Investment and Other Sources	Effective Assessment Rate[1]	Total	Provision for Losses	Administrative and Operating Expenses[2]	Interest and Other Insurance Expenses	Funding Transfer from the FSLIC Resolution Fund	Net Income/ (Loss)
1961	147.3	188.9	115.5	73.9	0.0323%	14.8	1.6	13.2	0.0	0	132.5
1960	144.6	180.4	100.8	65.0	0.0370%	12.5	0.1	12.4	0.0	0	132.1
1959	136.5	178.2	99.6	57.9	0.0370%	12.1	0.2	11.9	0.0	0	124.4
1958	126.8	166.8	93.0	53.0	0.0370%	11.6	0.0	11.6	0.0	0	115.2
1957	117.3	159.3	90.2	48.2	0.0357%	9.7	0.1	9.6	0.0	0	107.6
1956	111.9	155.5	87.3	43.7	0.0370%	9.4	0.3	9.1	0.0	0	102.5
1955	105.8	151.5	85.4	39.7	0.0370%	9.0	0.3	8.7	0.0	0	96.8
1954	99.7	144.2	81.8	37.3	0.0357%	7.8	0.1	7.7	0.0	0	91.9
1953	94.2	138.7	78.5	34.0	0.0357%	7.3	0.1	7.2	0.0	0	86.9
1952	88.6	131.0	73.7	31.3	0.0370%	7.8	0.8	7.0	0.0	0	80.8
1951	83.5	124.3	70.0	29.2	0.0370%	6.6	0.0	6.6	0.0	0	76.9
1950	84.8	122.9	68.7	30.6	0.0370%	7.8	1.4	6.4	0.0	0	77.0
1949	151.1	122.7	0.0	28.4	0.0833%	6.4	0.3	6.1	0.0	0	144.7
1948	145.6	119.3	0.0	26.3	0.0833%	7.0	0.7	6.3[6]	0.0	0	138.6
1947	157.5	114.4	0.0	43.1	0.0833%	9.9	0.1	9.8[6]	0.0	0	147.6
1946	130.7	107.0	0.0	23.7	0.0833%	10.0	0.1	9.9[6]	0.0	0	120.7
1945	121.0	93.7	0.0	27.3	0.0833%	9.4	0.1	9.3[6]	0.0	0	111.6
1944	99.3	80.9	0.0	18.4	0.0833%	9.3	0.1	9.2[6]	0.0	0	90.0
1943	86.6	70.0	0.0	16.6	0.0833%	9.8	0.2	9.6[6]	0.0	0	76.8
1942	69.1	56.5	0.0	12.6	0.0833%	10.1	0.5	9.6[6]	0.0	0	59.0
1941	62.0	51.4	0.0	10.6	0.0833%	10.1	0.6	9.5[6]	0.0	0	51.9
1940	55.9	46.2	0.0	9.7	0.0833%	12.9	3.5	9.4[6]	0.0	0	43.0
1939	51.2	40.7	0.0	10.5	0.0833%	16.4	7.2	9.2[6]	0.0	0	34.8
1938	47.7	38.3	0.0	9.4	0.0833%	11.3	2.5	8.8[6]	0.0	0	36.4
1937	48.2	38.8	0.0	9.4	0.0833%	12.2	3.7	8.5[6]	0.0	0	36.0
1936	43.8	35.6	0.0	8.2	0.0833%	10.9	2.6	8.3[6]	0.0	0	32.9
1935	20.8	11.5	0.0	9.3	0.0833%	11.3	2.8	8.5[6]	0.0	0	9.5
1933/4	7.0	0.0	0.0	7.0	N/A	10.0	0.2	9.8[6]	0.0	0	(3.0)

[1] The effective rates from 1950 through 1984 vary from the statutory rate of 0.0833 percent due to assessment credits provided in those years. The statutory rate increased to 0.12 percent in 1990 and to a minimum of 0.15 percent in 1991. The effective rates in 1991 and 1992 vary because the FDIC exercised new authority to increase assessments above the statutory rate when needed. Beginning in 1993, the effective rate is based on a risk-related premium system under which institutions pay assessments in the range of 0.23 percent to 0.31 percent. In May 1995, the BIF reached the mandatory recapitalization level of 1.25 percent. As a result, BIF assessment rates were reduced to a range of 0.04 percent to 0.31 percent of assessable deposits, effective June 1995, and assessments totaling $1.5 billion were refunded in September 1995. Assessment rates for BIF were lowered again to a range of 0 to 0.27 percent of assessable deposits, effective the start of 1996. In 1996, the SAIF collected a one-time special assessment of $4.5 billion that fully capitalized the fund. Consequently, assessment rates for SAIF were lowered to the same range as DIF, effective October 1996. This range of rates remained unchanged for both funds through 2006. As part of the implementation of the Federal Deposit Insurance Reform Act of 2005, assessment rates were increased to a range of 0.05 percent to 0.43 percent of assessable deposits effective at the start of 2007, but many institutions received a one-time assessment credit ($4.7 billion in total) to offset the new assessments.

[2] These expenses, which are presented as operating expenses in the Statements of Income and Fund Balance, pertain to the FDIC in its corporate capacity only and **do not** include costs that are charged to the failed bank receiverships that are managed by the FDIC. The receivership expenses are presented as part of the "Receivables from Resolutions, net" line on the Balance Sheets. The information presented in the "FDIC Expenditures" table on page 108 of this report shows the aggregate (corporate and receivership) expenditures of the FDIC.

[3] Includes $210 million for the cumulative effect of an accounting change for certain postretirement benefits.

[4] Includes $105.6 million net loss on government securities.

[5] This amount represents interest and other insurance expenses from 1933 to 1972.

[6] Includes interest paid on capital stock.

[7] For 1989 through 2005, amounts represent sum of separate BIF and SAIF amounts.

Recoveries and Losses by the Deposit Insurance Fund on Disbursements for the Protection of Depositors, 1934 through 2007

Dollars in Thousands

All Cases[1]

Year[3]	Number of Banks/ Thrifts	Total Assets	Total Deposits	Disbursements	Recoveries	Estimated Additional Recoveries	Estimated Losses
Total	**2,237**	**$ 304,015,397**	**$ 248,393,951**	**$ 116,900,087**	**$ 77,665,701**	**$ 797,140**	**$ 38,437,246**
2007	**3**	**2,614,928**	**2,026,648**	**1,909,549**	**1,315,770**	**474,240**	**119,539**
2006	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0
2004	4	165,866	145,885	138,895	134,978	0	3,917
2003	3	1,096,724	903,504	883,772	812,933	4,852	65,987
2002	11	2,557,811	2,175,043	2,068,519	1,628,771	63,928	375,820
2001	4	2,234,253	1,610,474	1,605,147	1,113,270	220,457	271,420
2000	7	407,618	340,533	297,313	265,175	0	32,138
1999	8	1,486,775	1,331,578	1,307,045	685,154	6,324	615,567
1998	3	370,400	335,076	286,678	52,248	8,388	226,042
1997	1	25,921	26,800	25,546	20,520	0	5,026
1996	6	215,078	200,973	201,533	140,904	0	60,629
1995	6	753,024	632,700	609,043	524,571	0	84,472
1994	13	1,392,140	1,236,488	1,224,769	1,045,718	0	179,051
1993	42	4,405,373	3,827,177	3,841,658	3,199,024	9,884	632,750
1992	122	44,231,922	41,184,366	14,175,372	10,506,614	1,772	3,666,986
1991	127	63,203,713	53,832,141	21,196,493	15,197,510	2,636	5,996,347
1990	169	15,676,700	14,488,900	10,817,419	8,041,634	4,659	2,771,126
1989	207	29,168,596	24,090,551	11,445,829	5,248,247	0	6,197,582
1988	280	70,065,789	45,499,102	12,163,006	5,244,866	0	6,918,140
1987	203	9,366,300	8,399,500	5,037,871	3,015,215	0	2,022,656
1986	145	7,710,400	7,056,700	4,790,969	3,015,252	0	1,775,717
1985	120	8,741,268	8,059,441	2,920,687	1,913,452	0	1,007,235
1984	80	3,276,411	2,883,162	7,696,215	6,056,061	0	1,640,154
1983	48	7,026,923	5,441,608	3,807,082	2,400,044	0	1,407,038
1982	42	11,632,415	9,908,379	2,275,150	1,106,579	0	1,168,571
1981	10	4,863,898	3,829,936	888,999	107,221	0	781,778
1980	11	244,117	221,302	152,355	121,675	0	30,680
1934-79	562	11,081,034	8,705,984	5,133,173	4,752,295	0	380,878

Deposit Assumption Cases

Year[3]	Number of Banks/ Thrifts	Total Assets	Total Deposits	Disbursements	Recoveries	Estimated Additional Recoveries	Estimated Losses
Total	**1,487**	**$ 225,210,798**	**$ 187,228,603**	**$ 89,334,347**	**$ 60,163,198**	**$ 734,127**	**$ 28,437,022**
2007	**3**	**2,614,928**	**2,026,648**	**1,909,549**	**1,315,770**	**474,240**	**119,539**
2006	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0
2004	3	150,520	132,880	132,781	128,864	0	3,917
2003	3	1,096,724	903,504	883,772	812,933	4,852	65,987
2002	6	569,332	511,782	483,461	342,991	5,574	134,896
2001	4	2,234,253	1.610,474	1,605,147	1,113,270	220,457	271,420
2000	7	407,618	340,533	297,313	265,175	0	32,138
1999	8	1,486,775	1,331,578	1,307,045	685,154	6,324	615,567
1998	3	370,400	335,076	286,678	52,248	8,388	226,042
1997	1	25,921	26,800	25,546	20,520	0	5,026
1996	6	215,078	200,973	201,533	140,904	0	60,629
1995	6	753,024	632,700	609,043	524,571	0	84,472
1994	13	1,392,140	1,236,488	1,224,769	1,045,718	0	179,051
1993	37	4,098,618	3,556,005	3,580,297	3,036,275	9,884	534,138
1992	95	42,147,689	39,132,496	12,280,562	9,104,192	1,772	3,174,598
1991	103	61,593,332	52,274,435	19,938,700	14,410,415	2,636	5,525,649
1990	148	13,138,300	12,215,600	8,629,084	6,397,473	0	2,231,611
1989	174	26,811,496	21,931,451	9,326,725	3,985,855	0	5,340,870
1988	164	34,421,089	23,652,902	9,180,495	4,232,545	0	4,947,950
1987	133	4,311,700	4,020,700	2,773,202	1,613,502	0	1,159,700
1986	98	5,657,100	5,217,200	3,476,140	2,209,924	0	1,266,216
1985	87	2,235,182	2,000,044	1,631,166	1,095,601	0	535,565
1984	62	1,905,924	1,603,923	1,373,198	941,674	0	431,524
1983	35	3,194,452	2,275,313	2,893,969	1,850,553	0	1,043,416
1982	25	681,025	552,436	268,372	213,578	0	54,794
1981	5	4,808,042	3,778,486	79,208	71,358	0	7,850
1980	7	218,332	199,846	138,623	110,248	0	28,375
1934-79	251	8,671,804	5,528,330	4,797,969	4,441,887	0	356,082

Recoveries and Losses by the Deposit Insurance Fund on Disbursements for the Protection of Depositors, 1934 through 2007 (continued)

Dollars in Thousands

Deposit Payoff Cases[2]

Year[3]	Number of Banks/ Thrifts	Total Assets	Total Deposit	Disbursements	Recoveries	Estimated Additional Recoveries	Estimated Losses
Total	**609**	**$ 18,687,250**	**$ 17,157,091**	**$ 15,935,384**	**$ 11,302,628**	**$ 63,013**	**$ 4,569,743**
2007	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2006	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0
2004	1	15,346	13,005	6,114	6,114	0	0
2003	0	0	0	0	0	0	0
2002	5	1,988,479	1,663,261	1,585,058	1,285,780	58,354	240,924
2001	0	0	0	0	0	0	0
2000	0	0	0	0	0	0	0
1999	0	0	0	0	0	0	0
1998	0	0	0	0	0	0	0
1997	0	0	0	0	0	0	0
1996	0	0	0	0	0	0	0
1995	0	0	0	0	0	0	0
1994	0	0	0	0	0	0	0
1993	5	306,755	271,172	261,361	162,749	0	98,612
1992	25	2,049,320	2,018,402	1,893,324	1,401,186	0	492,138
1991	21	1,526,538	1,477,328	1,251,676	784,002	0	467,674
1990	20	2,522,500	2,257,700	2,183,400	1,641,564	4,659	537,177
1989	32	2,280,100	2,086,100	2,116,556	1,262,140	0	854,416
1988	36	1,276,700	1,278,400	1,252,160	822,612	0	429,548
1987	51	2,539,000	2,260,800	2,103,792	1,401,000	0	702,792
1986	40	1,334,500	1,253,900	1,155,981	739,659	0	416,322
1985	29	610,156	548,986	523,789	411,175	0	112,614
1984	16	855,568	784,597	791,838	699,483	0	92,355
1983	9	164,037	160,998	148,423	122,484	0	25,939
1982	7	585,418	538,917	277,240	206,247	0	70,993
1981	2	51,018	47,536	35,736	34,598	0	1,138
1980	3	17,832	16,454	13,732	11,427	0	2,305
1934-79	307	563,983	479,535	335,204	310,408	0	24,796

Assistance Transactions

Year[3]	Number of Banks/ Thrifts	Total Assets	Total Deposits	Disbursements	Recoveries	Estimated Additional Recoveries	Estimated Losses
Total	**141**	**$ 60,117,349**	**$ 44,008,257**	**$ 11,630,356**	**$ 6,199,875**	**$ 0**	**$ 5,430,481**
2007	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2006	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0
2004	0	0	0	0	0	0	0
2003	0	0	0	0	0	0	0
2002	0	0	0	0	0	0	0
2001	0	0	0	0	0	0	0
2000	0	0	0	0	0	0	0
1999	0	0	0	0	0	0	0
1998	0	0	0	0	0	0	0
1997	0	0	0	0	0	0	0
1996	0	0	0	0	0	0	0
1995	0	0	0	0	0	0	0
1994	0	0	0	0	0	0	0
1993	0	0	0	0	0	0	0
1992	2	34,913	33,468	1,486	1,236	0	250
1991	3	83,843	80,378	6,117	3,093	0	3,024
1990	1	15,900	15,600	4,935	2,597	0	2,338
1989	1	77,000	73,000	2,548	252	0	2,296
1988	80	34,368,000	20,567,800	1,730,351	189,709	0	1,540,642
1987	19	2,515,600	2,118,000	160,877	713	0	160,164
1986	7	718,800	585,600	158,848	65,669	0	93,179
1985	4	5,895,930	5,510,411	765,732	406,676	0	359,056
1984	2	514,919	494,642	5,531,179	4,414,904	0	1,116,275
1983	4	3,668,434	3,005,297	764,690	427,007	0	337,683
1982	10	10,365,972	8,817,026	1,729,538	686,754	0	1,042,784
1981	3	4,838	3,914	774,055	1,265	0	772,790
1980	1	7,953	5,002	0	0	0	0
1934-79	4	1,845,247	2,698,119	0	0	0	0

[1] Totals do not include dollar amounts for the five open bank assistance transactions between 1971 and 1980. Excludes eight transactions prior to 1962 that required no disbursements. Also, disbursements, recoveries, and estimated additional recoveries do not include working capital advances to and repayments by receiverships.

[2] Includes insured deposit transfer cases.

[3] For 1989 through 2005, amounts represent sum of separate BIF and SAIF amounts.

Note:
Total Assets and Total Deposits data is based upon the last Call Report filed by institution prior to failure.

Beginning with the 1997 Annual Report, the number of banks in the Assistance Transactions column for 1988 was changed from 21 to 80 and the number of banks in the All Cases column was changed from 221 to 280 to reflect that one assistance transaction encompassed 60 institutions. Also, certain 1982, 1983, 1989 and 1992 resolutions previously reported in either the Deposit Payoff or Deposit Assumption categories were reclassified.

Number, Assets, Deposits, Losses, and Loss to Funds of Insured Thrifts Taken Over or Closed Because of Financial Difficulties, 1989 through 1995[1]

Dollars in Thousands

Year[2]	Total	Assets	Deposits	Estimated Receivership Loss[3]	Loss to Funds[4]
Total	**748**	**$ 395,017,406**	**$ 318,328,770**	**$ 75,318,451**	**$ 81,584,813**
1995	2	423,819	414,692	28,192	27,750
1994	2	136,815	127,508	11,472	14,599
1993	10	7,178,794	5,708,253	267,595	65,212
1992	59	44,196,946	34,773,224	3,234,872	3,780,109
1991	144	78,898,904	65,173,122	8,625,587	9,123,993
1990	213	129,662,498	98,963,962	16,063,996	19,258,889
1989[5]	318	134,519,630	113,168,009	47,086,737	49,314,261

[1] Prior to July 1, 1995, all thrift closings were the responsibility of the Resolution Trust Corporation (RTC). Since the RTC was terminated on December 31, 1995, and all assets and liabilities transferred to the FSLIC Resolution Fund (FRF), all the results of the thrift closing activity from 1989 through 1995 are now reflected on FRF's books.

[2] Year is the year of failure, not the year of resolution.

[3] The estimated losses represent the projected loss at the fund level from receiverships for unreimbursed subrogated claims of the FRF and unpaid advances to receiverships from the FRF.

[4] The Loss to Funds represents the total resolution cost of the failed thrifts in the FRF-RTC funds, which includes corporate revenue and expense items such as interest expense on Federal Financing Bank debt, interest expense on escrowed funds, and interest revenue on advances to receiverships, in addition to the estimated losses for receiverships.

[5] Total for 1989 excludes nine failures of the former FSLIC.

FDIC-Insured Institutions Closed During 2007

Dollars in Thousands

Name and Location	Bank Class	Number of Deposit Accounts	Total Assets[2]	Total Deposits[2]	FDIC Disbursements	Estimated Loss[1]	Date of Closing or Acquisition	Receiver/ Assuming Bank and Location
Purchase and Assumption – Insured Deposits								
Metropolitan Savings Bank Pittsburgh, PA	SB	1,534	$ 15,760	$ 17,587	$ 17,671	$ 8,906	02-02-07	**Allegheny Valley Bank** Pittsburgh, PA
NetBank Alpharetta, GA	SB	174,555	$ 2,473,806	$ 1,944,096	$ 1,835,466	$ 107,664	09-28-07	**ING Bank** Wilmington, DE
Miami Valley Bank Lakeview, OH	NM	3,938	$ 125,362	$ 64,965	$ 56,412	$ 2,969	10-04-07	**Citizens Banking Company** Sandusky, OH

Codes for Bank Class:
NM– State-chartered bank that is not a member of the Federal Reserve System
N National bank
SB – Savings Bank
SM – State-chartered bank that is a member of the Federal Reserve System

[1] Estimated losses are as of December 31, 2007. Estimated losses are routinely adjusted with updated information from new appraisals and asset sales, which ultimately affect the asset values and projected recoveries.

[2] Total Assets and Total Deposits data is based upon the last Call Report filed by institution prior to failure.

FDIC Actions on Financial Institutions Applications 2005-2007

	2007	2006	2005
Deposit Insurance	215	142	219
Approved	215	142	219
Denied	0	0	0
New Branches	1,480	1,257	1,575
Approved	1,480	1,257	1,575
Denied	0	0	0
Mergers	306	229	286
Approved	306	229	286
Denied	0	0	0
Requests for Consent to Serve•	177	138	170
Approved	177	138	170
Section 19	24	11	13
Section 32	153	127	157
Denied	0	0	0
Section 19	0	0	0
Section 32	0	0	0
Notices of Change in Control	17	3	9
Letters of Intent Not to Disapprove	15	2	9
Disapproved	2	1	0
Brokered Deposit Waivers	22	26	40
Approved	22	26	40
Denied	0	0	0
Savings Association Activities▪	54	33	59
Approved	54	33	59
Denied	0	0	0
State Bank Activities/Investments▾	21	14	18
Approved	21	14	18
Denied	0	0	0
Conversions of Mutual Institutions	10	9	11
Non-Objection	10	9	11
Objection	0	0	0

• Under Section 19 of the Federal Deposit Insurance (FDI) Act, an insured institution must receive FDIC approval before employing a person convicted of dishonesty or breach of trust. Under Section 32, the FDIC must approve any change of directors or senior executive officers at a state nonmember bank that is not in compliance with capital requirements or is otherwise in troubled condition.

▪ Amendments to Part 303 of the FDIC Rules and Regulations changed FDIC oversight responsibility in October 1998. In 1998, Part 303 changed the Delegations of Authority to act upon applications.

▾ Section 24 of the FDI Act, in general, precludes a federally insured state bank from engaging in an activity not permissible for a national bank and requires notices to be filed with the FDIC.

Compliance, Enforcement and Other Related Legal Actions 2005-2007

	2007	2006	2005
Total Number of Actions Initiated by the FDIC	**208**	244	192
Termination of Insurance			
Involuntary Termination			
Sec. 8a For Violations, Unsafe/Unsound Practices or Condition	**0**	0	0
Voluntary Termination			
Sec. 8a By Order Upon Request	**0**	1	0
Sec. 8p No Deposits	**2**	2	2
Sec. 8q Deposits Assumed	**4**	3	11
Sec. 8b Cease-and-Desist Actions			
Notices of Charges Issued•	**3**	0	0
Consent Orders	**48**	29	20
Sec. 8e Removal/Prohibition of Director or Officer			
Notices of Intention to Remove/Prohibit	**1**	3	2
Consent Orders	**40**	89	73
Sec. 8g Suspension/Removal When Charged With Crime	**0**	0	0
Civil Money Penalties Issued			
Sec. 7a Call Report Penalties	**0**	0	0
Sec. 8i Civil Money Penalties	**96**	93	69
Sec. 10c Orders of Investigation	**7**	17	15
Sec. 19 Denials of Service After Criminal Conviction	**0**	0	0
Sec. 32 Notices Disapproving Officer/Director's Request for Review	**0**	0	0
Truth-in-Lending Act Reimbursement Actions			
Denials of Requests for Relief	**0**	0	0
Grants of Relief	**0**	2	0
Banks Making Reimbursement•	**91**	110	78
Suspicious Activity Reports (Open and closed institutions)•	**137,548**	119,384	102,080
Other Actions Not Listed▾	**7**	5	0

•These actions do not constitute the initiation of a formal enforcement action and, therefore, are not included in the total number of actions initiated.

▾Other Actions Not Listed includes six Section 19 Waiver grants and one Other Formal Action.

FDIC Board of Directors

Martin J. Gruenberg, Sheila C. Bair, Chairman (seated),
John C. Dugan, Thomas J. Curry, and John M. Reich (standing, left to right)

Sheila C. Bair

Sheila C. Bair was sworn in as the 19th Chairman of the Federal Deposit Insurance Corporation (FDIC) on June 26, 2006. She was appointed Chairman for a five-year term, and as a member of the FDIC Board of Directors through July 2013.

Before her appointment to the FDIC, Ms. Bair was the Dean's Professor of Financial Regulatory Policy for the Isenberg School of Management at the University of Massachusetts-Amherst since 2002. Other career experience includes serving as Assistant Secretary for Financial Institutions at the U.S. Department of the Treasury (2001 to 2002), Senior Vice President for Government Relations of the New York Stock Exchange (1995 to 2000), a Commissioner and Acting Chairman of the Commodity Futures Trading Commission (1991 to 1995), and Research Director, Deputy Counsel and Counsel to Senate Majority Leader Robert Dole (1981 to 1988).

While an academic, Chairman Bair also served on the FDIC's Advisory Committee on Banking Policy.

Chairman Bair's prior work focused heavily on the banking sector. As the Assistant Treasury Secretary for Financial Institutions, she was charged with helping to develop the Administration's positions on banking policy issues. She worked closely with Treasury's own banking regulatory bureaus, the Office of the Comptroller of the Currency and the Office of Thrift Supervision, as well as the Federal Reserve Board and the FDIC. Ms. Bair's teaching and research at the University of Massachusetts also dealt extensively with banking and related issues.

Ms. Bair has served as a member of several professional and non-profit organizations, including the Insurance Marketplace Standards Association, Women in Housing and Finance, Center for Responsible Lending, NASD Ahead-of-the-Curve Advisory Committee, Massachusetts Savings Makes Cents, American Bar Association, Exchequer Club, and Society of Children's Book Writers and Illustrators.

Five months after becoming Chairman, Ms. Bair was named to The Wall Street Journal magazine *Smart Money's* (November 2006) "Power 30" list – the magazine's lineup of the 30 most influential people in investing. Chairman Bair has also received several honors for her published work on financial issues, including her educational writings on money and finance for children, and for professional achievement. Among the honors she has received are: Distinguished Achievement Award, Association of Education Publishers (2005); Personal Service Feature of the Year, and Author of the Month Awards, *Highlights Magazine for Children* (2002, 2003 and 2004); and The Treasury Medal (2002). Her first book – *Rock, Brock and the Savings Shock,* a publication for children – was published in 2006.

Chairman Bair received a bachelor's degree from Kansas University and a J.D. from Kansas University School of Law. She is married to Scott P. Cooper and has two children.

Martin J. Gruenberg

Martin J. Gruenberg was sworn in as Vice Chairman of the FDIC Board of Directors on August 22, 2005. Upon the resignation of Chairman Donald Powell, he served as Acting Chairman from November 15, 2005, to June 26, 2006. On November 2, 2007, Mr. Gruenberg was named Chairman of the Executive Council and President of the International Association of Deposit Insurers (IADI).

Mr. Gruenberg joined the FDIC Board after broad congressional experience in the financial services and regulatory areas. He served as Senior Counsel to Senator Paul S. Sarbanes (D-MD) on the staff of the Senate Committee on Banking, Housing, and Urban Affairs from 1993 to 2005. Mr. Gruenberg advised the Senator on issues of domestic and international financial regulation, monetary policy and trade. He also served as Staff Director of the Banking Committee's Subcommittee on International Finance and Monetary Policy from 1987 to 1992. Major legislation in which Mr. Gruenberg played an active role during his service on the Committee includes the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), the Gramm-Leach-Bliley Act, and the Sarbanes-Oxley Act of 2002.

Mr. Gruenberg holds a J.D. from Case Western Reserve Law School and an A.B. from Princeton University, Woodrow Wilson School of Public and International Affairs.

Thomas J. Curry

Thomas J. Curry took office on January 12, 2004, as a member of the Board of Directors of the Federal Deposit Insurance Corporation for a six-year term. Mr. Curry serves as Chairman of the FDIC's Assessment Appeals Committee and Case Review Committee.

Mr. Curry also serves as the Chairman of the NeighborWorks® America Board of Directors. NeighborWorks® America is a national nonprofit organization chartered by Congress to provide financial support, technical assistance, and training for community-based neighborhood revitalization efforts.

Prior to joining the FDIC's Board of Directors, Mr. Curry served five Massachusetts Governors as the Commonwealth's Commissioner of Banks from 1990 to 1991 and from 1995 to 2003. He served as Acting Commissioner from February 1994 to June 1995. He previously served as First Deputy Commissioner and Assistant General Counsel within the Massachusetts Division of Banks. He entered state government in 1982 as an attorney with the Massachusetts Secretary of State's Office.

Director Curry served as the Chairman of the Conference of State Bank Supervisors from 2000 to 2001. He served two terms on the State Liaison Committee of the Federal Financial Institutions Examination Council, including a term as Committee chairman.

He is a graduate of Manhattan College (summa cum laude), where he was elected to Phi Beta Kappa. He received his law degree from the New England School of Law.

John C. Dugan

John C. Dugan was sworn in as the 29th Comptroller of the Currency on August 4, 2005. In addition to serving as a director of the FDIC, Comptroller Dugan also serves as chairman of the Joint Forum, a group of senior financial sector regulators from the United States, Canada, Europe, Japan, and Australia, and as a director of the Federal Financial Institutions Examination Council and NeighborWorks® America.

Prior to his appointment as Comptroller, Mr. Dugan was a partner at the law firm of Covington & Burling, where he chaired the firm's Financial Institutions Group. He specialized in banking and financial institution regulation. He also served as outside counsel to the ABA Securities Association.

He served at the Department of Treasury from 1989 to 1993 and was appointed assistant secretary for domestic finance in 1992. In 1991, he oversaw a comprehensive study of the banking industry that formed the basis for the financial modernization legislation proposed by the administration of the first President Bush. From 1985 to 1989, Mr. Dugan was minority counsel and minority general counsel for the U.S. Senate Committee on Banking, Housing, and Urban Affairs.

Among his professional and volunteer activities before becoming Comptroller, he served as a director of Minbanc, a charitable organization whose mission is to enhance professional and educational opportunities for minorities in the banking industry. He was also a member of the American Bar Association's committee on banking law, the Federal Bar Association's section of financial institutions and the economy, and the District of Columbia Bar Association's section of corporations, finance, and securities laws.

A graduate of the University of Michigan in 1977 with an A.B. in English literature, Mr. Dugan also earned his J.D. from Harvard Law School in 1981.

John M. Reich

John M. Reich was sworn in August 9, 2005, as Director of the Office of Thrift Supervision (OTS). The President nominated Mr. Reich to be OTS Director on June 7, 2005, and the Senate confirmed his nomination on July 29, 2005. In this capacity, Mr. Reich also serves as a member of the Board of Directors of the FDIC.

Prior to joining OTS, Mr. Reich served as Vice Chairman of the Board of Directors of the Federal Deposit Insurance Corporation (FDIC) since November 2002. He has been a member of the FDIC Board since January 2001. He also served as Acting Chairman of the FDIC from July to August 2001.

Prior to coming to Washington, DC, Mr. Reich spent 23 years as a community banker in Illinois and Florida, including ten years as President and CEO of the National Bank of Sarasota, in Sarasota, Florida.

Mr. Reich also served 12 years on the staff of U.S. Senator Connie Mack (R-FL), before joining the FDIC. From 1998 through 2000, he was Senator Mack's Chief of Staff, directing and overseeing all of the Senator's offices and committee activities, including those at the Senate Banking Committee.

Mr. Reich's community service includes serving as Chairman of the Board of Trustees of a public hospital facility in Ft. Myers, FL, and Chairman of the Board of Directors of the Sarasota Family YMCA. He has also served as a Board member for a number of civic organizations, and was active for many years in youth baseball programs.

Mr. Reich holds a B.S. degree from Southern Illinois University and an M.B.A. from the University of South Florida. He is also a graduate of Louisiana State University's School of Banking of the South.

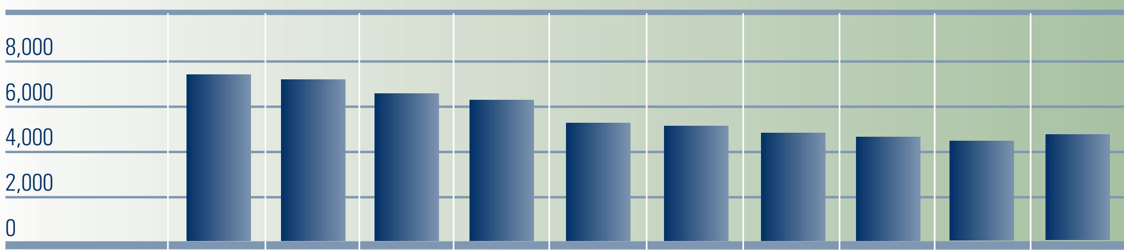
FDIC Organization Chart/Officials

as of December 31, 2007

- **Board of Directors**
  - Sheila C. Bair
  - Martin J. Gruenberg
  - Thomas J. Curry
  - John C. Dugan
  - John M. Reich
  - **Office of the Chairman** — Sheila C. Bair, Chairman
    - **Vice Chairman** — Martin J. Gruenberg
    - **Office of Inspector General** — Jon T. Rymer, Inspector General
    - **Chief Information Officer and Chief Privacy Officer** — Michael E. Bartell
    - **Chief of Staff** — Jesse O. Villarreal, Jr.
    - **Office of Public Affairs** — Andrew Gray, Director
    - **Deputy to the Chairman and Chief Financial Officer** — Steven O. App
      - **Division of Finance** — Bret D. Edwards, Director
      - **Office of Enterprise Risk Management** — James H. Angel, Jr., Director
    - **Deputy to the Chairman and Chief Operating Officer** — John F. Bovenzi
      - **Division of Supervision and Consumer Protection** — Sandra L. Thompson, Director
      - **Division of Insurance and Research** — Arthur J. Murton, Director
      - **Division of Information Technology** — Michael E. Bartell, Director
      - **Division of Resolutions and Receiverships** — Mitchell L. Glassman, Director
      - **Office of Diversity and Economic Opportunity** — D. Michael Collins, Director
      - **Division of Administration** — Arleas Upton Kea, Director
      - **Office of the Ombudsman** — Cottrell L. Webster, Ombudsman
      - **Corporate University** — Thom H. Terwilliger, Chief Learning Officer
      - **Office of International Affairs** — Fred S. Carns, Director
    - **Deputy to the Chairman** — Alice C. Goodman
      - **Office of Legislative Affairs** — Eric J. Spitler, Director
    - **General Counsel** — Sara A. Kelsey
      - **Legal Division** — Sara A. Kelsey, General Counsel

Corporate Staffing

Staffing Trends 1998-2007



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
FDIC Staffing	**7,359**	**7,266**	**6,452**	**6,167**	**5,430**	**5,311**	**5,078**	**4,514**	**4,476**	**4,532**

Note:
All staffing totals reflect year-end balances.

Number of Employees of the FDIC by Division/Office 2006-2007 (year-end)

	Total		Washington		Regional/Field	
	2007	2006	2007	2006	2007	2006
Executive Offices•	46	39	46	39	0	0
Division of Supervision and Consumer Protection	2,557	2,517	183	195	2,374	2,322
Division of Resolutions and Receiverships▼	218	231	56	57	162	174
Legal Division	398	413	252	263	146	150
Division of Finance▼	167	161	155	161	12	0
Division of Information Technology	276	274	213	214	63	60
Division of Insurance and Research	177	185	145	152	32	33
Division of Administration	310	311	208	207	102	104
Office of Inspector General	114	124	81	91	33	33
Office of Diversity and Economic Opportunity	31	28	31	28	0	0
Office of the Ombudsman	12	12	12	10	0	2
Office of Enterprise Risk Management	12	11	12	11	0	0
Corporate University	214	170	52	38	162	132
Total	**4,532**	**4,476**	**1,446**	**1,466**	**3,086**	**3,010**

• Includes the Offices of the Chairman, Vice Chairman, Director (Appointive), Chief Operating Officer, Chief Financial Officer, Legislative Affairs, Public Affairs and International Affairs.

▼ On January 26, 2007, the Deposit Compliance Audit Section was transferred from the Division of Resolutions and Receiverships to the Division of Finance.

Home Page on the Internet

www.fdic.gov

A wide range of banking, consumer and financial information is available on the FDIC's Internet home page. This includes the FDIC's Electronic Deposit Insurance Estimator (EDIE), which estimates an individual's deposit insurance coverage; the Institution Directory–financial profiles of FDIC-insured institutions; Community Reinvestment Act evaluations and ratings for institutions supervised by the FDIC; Call Reports–banks' reports of condition and income; and *Money Smart,* a training program to help individuals outside the financial mainstream enhance their money management skills and create positive banking relationships. Readers also can access a variety of consumer pamphlets, FDIC press releases, speeches and other updates on the agency's activities, as well as corporate databases and customized reports of FDIC and banking industry information.

FDIC Call Center

Phone: 877-275-3342
(877-ASK FDIC)

703-562-2222

Hearing Impaired: 800-925-4618

The FDIC Call Center in Washington, DC, is the primary telephone point of contact for general questions from the banking community, the public and FDIC employees. The Call Center directly, or in concert with other FDIC subject-matter experts, responds to questions about deposit insurance and other consumer issues and concerns, as well as questions about FDIC programs and activities. The Call Center also makes referrals to other federal and state agencies as needed. Hours of operation are 8:00 a.m. to 8:00 p.m. Eastern Time. Information is also available in Spanish. Recorded information about deposit insurance and other topics is available 24 hours a day at the same telephone number.

Public Information Center
3501 Fairfax Drive
Room E-1002
Arlington, VA 22226

Phone: 877-275-3342
(877-ASK FDIC), or
703-562-2200

Fax: 703-562-2296

E-mail: publicinfo@fdic.gov

FDIC publications, press releases, speeches and congressional testimony, directives to financial institutions, policy manuals and other documents are available on request or by subscription through the Public Information Center. These documents include the *Quarterly Banking Profile, FDIC Consumer News* and a variety of deposit insurance and consumer pamphlets.

Office of the Ombudsman
3501 Fairfax Drive
Room E-2022
Arlington, VA 22226

Phone: 877-275-3342
(877-ASK FDIC)

Fax: 703-562-6057

E-mail: ombudsman@fdic.gov

The Office of the Ombudsman (OO) is an independent, neutral and confidential resource and liaison for the banking industry and the general public. The OO responds to inquiries about the FDIC in a fair, impartial and timely manner. It researches questions and complaints primarily from bankers. The OO also recommends ways to improve FDIC operations, regulations and customer service.

Regional and Area Offices

Atlanta Regional Office

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(678) 916-2200

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Florida
Georgia
North Carolina
South Carolina
Virginia
West Virginia

Chicago Regional Office

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Suite 3500
Chicago, Illinois 60661
(312) 382-7500

Illinois
Indiana
Kentucky
Michigan
Ohio
Wisconsin

Dallas Regional Office

1601 Bryan Street
Dallas, Texas 75201
(214) 754-0098

Colorado
New Mexico
Oklahoma
Texas

Memphis Area Office

5100 Poplar Avenue
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Louisiana
Mississippi
Tennessee

Kansas City Regional Office

2345 Grand Boulevard
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Minnesota
Missouri
Nebraska
North Dakota
South Dakota

New York Regional Office

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District of Columbia
Maryland
New Jersey
New York
Pennsylvania
Puerto Rico
Virgin Islands

Boston Area Office

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Braintree, Massachusetts 02184
(781) 794-5500

Connecticut
Maine
Massachusetts
New Hampshire
Rhode Island
Vermont

San Francisco Regional Office

25 Ecker Street
Suite 2300
San Francisco, California 94105
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California
Guam
Hawaii
Idaho
Montana
Nevada
Oregon
Utah
Washington
Wyoming

2008 Management and Performance Challenges

The following discussion reflects the Office of Inspector General's (OIG) view of the management and performance challenges facing the FDIC as it works to accomplish its mission in the coming year. Overall, and as discussed in more detail below, these challenges primarily exist due to significant changes impacting the Corporation—changes in the economy, including systemic risk caused by subprime mortgage lending; the financial services industry; the characteristics of today's depository institutions, including the existence of many more large, complex banks; the regulatory arena; lending practices; information technology; and the examination processes, work environment, and priorities of the FDIC. Key elements in addressing these challenges are cooperation, coordination, and communication among federal and state banking regulators; the Congress; others in the financial services industry, both domestically and abroad; and the public. Such activities need to be complemented by a vigilant, well trained and prepared FDIC workforce that is fully engaged in insurance and supervisory programs and other supporting processes that identify and address risky products, practices, and activities that can threaten the viability of the insurance fund, harm consumers, and undermine stability and public confidence in the banking system. Likewise, in light of the existence of more large, complex banks, the FDIC must ensure that it has the necessary skills, processes, and systems to carry out its resolution mission in the event that such a bank would fail.

In our view, the FDIC is fully committed to addressing these challenges and has many actions underway in that regard. The OIG is prepared to continue to work with our corporate colleagues throughout the coming year to assist them in successfully doing so.

Identifying and Mitigating Risks to the Deposit Inurance Fund

As of the end of the third quarter of 2007, the Deposit Insurance Fund balance was $51.8 billion. The FDIC insured $4.241 trillion in deposits in 8,571 institutions. Of these FDIC-insured institutions, as of September 30, 2007, the 10 largest ones controlled almost 46 percent of the total assets of all insured financial institutions. The FDIC is the primary federal regulator for none of these institutions but is responsible for insuring their deposits and for resolution in the unlikely event of failure of one or more of these institutions. The Corporation is also working to maintain strong regulatory capital standards under the Basel accord and has been implementing legislated reforms to deposit insurance. The Corporation also continues to address matters related to industrial loan companies and to address potential risks that a volatile economy can pose to the fund. Finally, the Corporation has taken on a leadership role as it works with other governments implementing or strengthening deposit insurance and bank supervision around the world. Given these circumstances, the Corporation faces a number of challenges:

Assessing and Managing Risks in Large Banks
The Corporation must ensure it has ready access to the information it needs to effectively identify and assess risks that large institutions, including those it does not supervise, pose to the Deposit Insurance Fund (DIF). Effective communication and coordination with the other primary federal banking regulators is central to the Corporation's ability to meet this challenge. Moreover, given the inherent complexity of these large institutions, the FDIC must have or develop the capability to assess and fully understand the risks associated with these institutions, which are different from those found in the smaller banks with which the FDIC has historical experience.

To strengthen its oversight of large institutions, the Corporation has implemented some key programs: the Large Insured Depository Institutions program, Dedicated Examiner program, and Off-site Review program. The FDIC also participates with the other federal regulators in the Shared National Credit program. The FDIC is also emphasizing liquidity management due to uncertainties in the financial markets area from the subprime mortgage turmoil.

Maintaining Strong Regulatory Capital Standards
The FDIC and other federal banking agencies agreed to finalize rules implementing Basel II advanced capital requirements for large, complex banks. The agreement contains important safeguards against unrestrained reductions in risk-based capital requirements for these large institutions. It also provides for the development in the U.S. of the Basel II standardized approach as an option for other banks. The FDIC must continue its work in this realm to ensure strong regulatory capital standards.

Implementing New Deposit Insurance Regulations
On February 6, 2006, President Bush signed into law the Federal Deposit Insurance (FDI) Reform Act of 2005. The FDI Reform Conforming Amendments Act of 2005, enacted on February 15, 2006, contains necessary technical and conforming changes to implement deposit insurance reform as well as a number of study and survey requirements. In 2006, the Board adopted a number of final rules implementing specific reforms concerning the one-time assessment credit, risk-based assessments, and the designated reserve ratio, and put in place a temporary rule for dividends. In 2007, the Corporation made significant changes to its IT systems and business processes in order to prepare invoices and collect assessments in accordance with the new risk-based assessment and credit rules. In September 2007, the Board adopted an advance notice of proposed rulemaking seeking comment on alternative approaches to allocate dividends. In 2008, the FDIC expects to publish proposed and final dividend rules to replace the temporary rule, which will sunset at the end of this year. Also in 2008, the Corporation will continue to modify, as necessary, the processes and systems implementing the new rules and to begin evaluating the effectiveness of the new assessment methods and processes. Finally, for both 2007 and 2008, the Board adopted a designated (target) reserve ratio of 1.25 percent, which has resulted in the need to set risk-based assessment rates above the base rate schedule in order to gradually raise the reserve ratio to the target.

Granting Insurance to and Supervising Industrial Loan Companies
In January 2007, the FDIC Board of Directors voted to continue for one year a moratorium on applications for deposit insurance and change in control notices for industrial loan companies (ILCs) that will be owned by commercial companies. The moratorium does not apply to ILCs owned by financial companies. The Board also issued a proposed rule to strengthen the framework for consideration of applications or notices for industrial banks owned by financial companies not subject to federal consolidated bank supervision. According to FDIC Chairman Bair, the growth in commercial ownership of ILCs raises public policy concerns. The moratorium would provide Congress an opportunity to address the issue legislatively while the FDIC considers how best to respond to any safety and soundness issues surrounding commercial ownership under existing law. This area will continue to require FDIC attention.

Serving as a Model for Deposit Insurers and Bank Supervisors Around the World

Deposit insurance helps maintain financial stability—on a national or international scale—in times of economic stress. Increasingly, the Corporation is playing a leadership role in the global arena as foreign governments look to the FDIC as a model for establishing or strengthening their systems of deposit insurance and bank supervision. For example, in August 2007, the FDIC and the People's Republic of China signed a Memorandum of Understanding (MOU) forging an international working relationship to develop and expand methods of interaction on economic and financial issues. The MOU is a positive step in establishing a deposit insurance system in China. In November 2007, an MOU was signed with the Korean Deposit Insurance Corporation (KDIC), which provides for a KDIC employee to be temporarily assigned to the FDIC. The FDIC is joining others in the International Association of Deposit Insurers (IADI) to help strengthen the role of deposit insurance around the world. In 2007, FDIC Vice Chairman Gruenberg was elected to serve as Chairman of the Executive Council and President of the IADI. The FDIC was also elected as the North American Region Board member for the Association of Supervisors of Banks in the Americas (ASBA), providing leadership to several ASBA working groups and instruction for ASBA operational risk management courses. The FDIC may face new challenges as it expands its role in these types of international activities.

Ensuring Institution Safety and Soundness Through Effective Examinations, Enforcement, and Follow-Up

Effective supervision is a cornerstone of the FDIC's efforts to ensure stability and public confidence in the nation's financial system. As of the third quarter 2007, the FDIC was the primary federal regulator for more than 5,200 institutions. The FDIC performs risk management, information technology, trust, and other types of examinations of FDIC-supervised insured depository institutions. (See also a discussion of compliance examinations under *Protecting and Educating Consumers and Ensuring Compliance Through Effective Examinations, Enforcement, and Follow-up*.) As part of risk management examinations, the FDIC also ensures that institutions comply with the regulatory requirements of the Bank Secrecy Act. The Corporation's system of supervisory controls must identify and effectively address financial institution activities that are unsafe, unsound, illegal, or improper. Specific challenges related to this core FDIC function include:

Maintaining an Effective Examination and Supervision Program

The FDIC has adopted a risk-focused approach to examinations to minimize regulatory burden and direct its resources to those areas that carry the greatest potential risk. At the end of the year, the FDIC Chairman voiced her support and trust in examiner judgment; announced elimination of the Maximum Efficiency, Risk-Focused, Institution Targeted (MERIT) examination program; and recommended other changes to the examination program to allow examiners more flexibility in planning and conducting examinations. Further details on the changes to this core FDIC function will be forthcoming and will likely have a significant impact on the FDIC's examination workforce, which is expected to total 1,808 by the end of 2008 (1,423 risk management examiners; 385 compliance examiners). Examiners today work in an environment where risk may be increasingly difficult to ascertain and quantify, for example as a result of the lack of financial statement transparency that derives from off-bank balance sheet liabilities at a time when, for instance, the FDIC increasingly employs off-site monitoring. The FDIC must also ensure that financial institutions have adequate corporate governance structures relative to the bank's size, complexity, and risk profile to prevent financial losses and maintain confidence in those entrusted with operating the institutions. The FDIC's follow-up processes must be effective to ensure institutions are promptly complying with supervisory actions resulting from the FDIC's examination process. The FDIC Board approved an increase in authorized staffing from 4,716 in 2007 to 4,810 for 2008, primarily for additional bank examiners, including the rehiring of retired examiners to return to the FDIC temporarily in the interest of ensuring an examination workforce with the breadth of experience needed to detect risk management concerns during the examination process.

Identifying and Addressing Risks Related to Consumer Debt

The past several years have been marked by increased participation in the mortgage market by providers other than insured banks and thrift institutions. About half of subprime mortgage originations in 2005 and 2006 were carried out by companies that were not subject to examination by a federal supervisor. The use of securitization as a funding method also has changed the financial system by moving large volumes of assets off the balance sheets of federally insured financial institutions. As industry practices changed, a number of risk management fundamentals were seemingly ignored or weakened. Practices such as limited or no income verification, faulty appraisals, risk layering through combinations of loan products, and no money down or interest-only loan products all serve to heighten risk when combined with the ability to securitize and sell the loans. Lax lending standards and inadequate consumer protections resulted in widespread failure to underwrite loans to borrowers based on the borrowers' ability to pay at the fully indexed rate. As the Chairman pointed out in December 2007, there are an estimated 1.7 million owner-occupied subprime hybrid adjustable rate mortgages, with outstanding balances of $367 billion, that are scheduled to have their interest rates reset in 2008 and 2009. The impact of poor underwriting practices has spread throughout the economy, harming consumers and investors while creating volatility in the financial markets. The FDIC is working with other regulators in urging banks and mortgage servicers to restructure loans, as feasible, to avoid foreclosures and keep consumers in their homes. The full ramifications of the troubled subprime mortgage market have yet to be seen, and the months ahead will be challenging ones. Similar concerns related to other consumer debt such as credit card lending may also require focused FDIC attention in the future.

Contributing to Public Confidence in Insured Depository Institutions

Guarding Against Financial Crimes in Insured Institutions

All financial institutions are at risk of being used to facilitate or being victimized by criminal activities such as money laundering and terrorist financing. Such activities serve to undermine public confidence in the nation's financial system. The Corporation's challenge is to develop and implement programs and activities to minimize the extent to which the institutions it supervises are involved in or victims of financial crimes and other abuse. Increased reliance by both financial institutions and non-financial institution lenders on third-party brokers has also created opportunities for increased real-estate frauds, including certain property flipping schemes and other mortgage frauds. Examiners must be alert to the possibility of multiple types of fraudulent activity in financial institutions, and make good use of reports, information, and other resources available to them to help detect such fraud.

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), enacted on October 26, 2001, was passed by the United States Congress in response to the September 11, 2001, attacks and made a number of amendments to the anti-money laundering provisions of the Bank Secrecy Act (BSA). Congress found that money laundering "provides the financial fuel that permits transnational criminal enterprises to conduct and expand their operations to the detriment of the safety and security of American citizens" and that it is critical to the financing of global terrorism and terrorist attacks. Accordingly, FDIC examiners play an important role in ensuring that the institutions for which they serve as primary federal regulator comply with the Act.

Part of the FDIC's overall responsibility and authority to examine banks for safety and soundness relates to compliance with the BSA, which requires financial institutions to keep records and file reports on certain financial transactions. FDIC-supervised institutions must establish and maintain procedures to comply with BSA requirements. An institution's level of risk for potential terrorist financing and money laundering determines the necessary scope of the BSA examination. In a related vein, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) promulgates, develops, and administers economic and trade sanctions such as trade embargoes, blocked assets controls, and other commercial and financial restrictions under the provisions of various laws. Generally, OFAC regulations prohibit financial institutions from engaging in transactions with the governments of, or individuals or entities associated with, foreign countries against which federal law imposes economic sanctions. A challenge for the FDIC is to provide effective oversight of FDIC-supervised institutions' compliance with BSA and OFAC regulations.

In its supervisory capacity, the FDIC also analyzes data security threats, occurrences of bank security breaches, and incidents of electronic crime that involve financial institutions. Despite generally strong controls and practices by financial institutions, new methods for stealing personal data and committing fraud with that data continue to emerge. The FDIC needs to continue its work to ensure the security of customer data against such criminal activity to help maintain the public's trust and confidence in the banking system.

Protecting and Educating Consumers and Ensuring Compliance Through Effective Examinations, Enforcement, and Follow-up

The FDIC protects consumers by overseeing a variety of statutory and regulatory requirements aimed at safeguarding consumer privacy and preventing unfair or deceptive practices involving FDIC-supervised institutions. Through community outreach efforts and technical assistance, the FDIC educates consumers and encourages lenders to work with members of their local communities in meeting the communities' credit needs and to serve the unbanked and underbanked members of their communities. Specific challenges include:

Safeguarding the Privacy of Consumer Information

The FDIC conducts periodic examinations to verify that institutions comply with laws designed to protect personal information. The FDIC evaluates the adequacy of financial institutions' programs for securing customer data and may pursue informal or formal supervisory action if it finds a deficiency. As an added challenge, banks are increasingly using third-party servicers to provide support for core information and transaction processing functions, and these servicers may operate domestically or abroad. The obligations of a financial institution to protect the privacy and security of customer information under U.S. laws and regulations remain in full effect.

Promoting Fairness and Inclusion in the Delivery of Information, Products, and Services to Consumers and Communities

FDIC Chairman Bair has stressed the importance of economic inclusion and has voiced concern that market mechanisms may not work as well as they should for low-to-moderate income families who must often pay relatively higher amounts for basic financial services that others obtain at far less cost. Many people lack the financial skills needed to analyze and compare products and their prices or to understand disclosures that describe a product and its true costs. As the Chairman has pointed out, continuing dialogue among consumer advocates, regulators, and the banking industry is key to the challenge of closing the gap between what the unbanked and under-banked pay for credit and what those in the mainstream pay. An additional challenge is to balance the need for regulation with undue interference in legitimate business activities.

Ensuring Compliance with Laws and Regulations and Follow-up on Violations

The FDIC's compliance program, including examinations, visitations, and follow-up supervisory attention on violations and other program deficiencies, is critical to ensuring that consumers and businesses obtain the benefits and protections afforded them by law. The compliance examination is the primary means by which the FDIC determines the extent to which a financial institution complies with more than 20 consumer protection laws and related regulations. The FDIC also conducts Community Reinvestment Act (CRA) examinations in accordance with the Community Reinvestment Act, a 1977 law intended to encourage insured banks and thrifts to help meet the credit needs of the communities in which they are chartered to do business, including low- and moderate-income neighborhoods, consistent with safe and sound operations.

Additionally, the Real Estate Settlement Procedures Act of 1974 (RESPA) is applicable to all federally-related mortgage loans, except for certain types of loans that are exempted. Although overall authority for RESPA compliance and enforcement remains with the Department of Housing and Urban Development, the FDIC and other federal banking agencies examine financial institutions for compliance. There is significant risk in this area due to downturns in the residential real estate market, which could cause mortgage lenders to be more aggressive in their lending practices; anticipation of large restructuring and refinancing of nontraditional real estate loans in the near future; and the need to determine whether financial institutions are providing adequate disclosure to ensure consumers understand the types of real estate loans they are obtaining.

As with risk management examinations discussed earlier, the changes that the Chairman announced at the end of 2007 will have a definite impact on the FDIC's compliance examination activities as well and will pose new challenges. Among those changes, the Chairman indicated that rules associated with report of examination content would be eliminated and workpaper requirements would be altered, with the report of examination becoming the principal document of record.

Visitations are an important means of reviewing the compliance posture of newly chartered institutions coming under FDIC supervision or for following up on an institution's progress on corrective actions. Investigations are used to follow up on a particular consumer's inquiries or complaints. In instances where repeat violations occur, the FDIC must remain vigilant in ensuring appropriate corrective actions are taken.

Being Ready for Potential Insured Institution Failures

The FDIC is responsible for the resolution of failed banks or savings associations and needs to be ready for the resolution of any institution that fails, regardless of size. The challenge is especially great if a large and complex bank fails. By carefully managing the Deposit Insurance Fund, the FDIC can protect insured depositors by using fund assets to pay insured deposits at the time of institution failure. After a relatively long period during which no banks failed, the FDIC was appointed receiver of Metropolitan Savings Bank, Pittsburgh, Pennsylvania on February 2, 2007. Metropolitan was the first FDIC-insured institution to fail since June 25, 2004. Metropolitan's failure was followed by two additional closings: NetBank, FSB, Alpharetta, Georgia, a $2.2 billion Internet bank on September 28, 2007, and Miami Valley Bank, a $92.6 million institution in Lakeview, Ohio, which failed on October 4, 2007.

In total, the FDIC insures more than 8,560 commercial banks and savings institutions, which together hold more than $12 trillion in assets. While over 90 percent of U.S. banks and thrifts are small community-based institutions, the 25 largest banking organizations hold about 71 percent of the industry's assets. Thus, the FDIC could face the challenge of handling a failing institution with a significantly larger number of insured deposits than it has had to in the past. In recent history, the largest number of deposit accounts in a failed institution for which the FDIC had to make an insurance determination was about 175,000 for NetBank, referenced above. Today, however, some of the larger banks have more than 50 million deposit accounts.

The Corporation's ability to rapidly and accurately determine the insured status of deposit accounts is essential to resolving bank failures in the most cost-effective and least disruptive manner and preserving the public's confidence in the FDIC. To that end, the Corporation needs to continue to explore new strategies and ensure corporate readiness to handle failing and failed institutions, including large or multiple bank failures. It needs to do so in light of past FDIC downsizing activities—which could prove especially burdensome for current receivership and resolutions staff; corresponding loss of institutional knowledge and expertise; and the relative lack of recent experience with failed banks.

The FDIC is focusing on developing a strategy for closing a very large, non-systemic bank. In that connection, the Corporation has conducted a Strategic Readiness Simulation and plans others to simulate and stress the FDIC's decision-making processes, strategies, and planning for a large bank failure. The FDIC also has an ongoing initiative to modernize the way it determines the insurance status of depositors in the event of failure by streamlining its business processes and modernizing the internal systems used to facilitate a deposit insurance determination through improved use of current technology. This includes developing and implementing a new insurance determination system by 2009 called the Claims Administration

System (CAS), which will provide an integrated solution that will meet the current and future deposit insurance determination needs of the FDIC. These are all positive steps, yet the Corporation faces significant challenges in ensuring that it has the requisite resources and expertise to efficiently and effectively resolve failed banks, completing contingency resolution plans, and implementing the CAS system.

Promoting Sound Governance and Managing and Protecting Human, Financial, Information Technology, Physical, and Procurement Resources

The FDIC must practice sound governance and risk mitigation practices and effectively manage a number of critical strategic resources in order to carry out its mission successfully, particularly its human, financial, information technology (IT), physical, and procurement resources. A number of key management activities pose challenges to corporate leadership and managers, as discussed below:

Corporate Governance and Enterprise Risk Management

The FDIC is managed by a five-person Board of Directors, all of whom are appointed by the President and confirmed by the Senate, with no more than three being from the same political party. At least one Board member must have State bank supervisory experience. The Board includes the Comptroller of the Currency and the Director of the Office of Thrift Supervision. Given the relatively frequent changes in the Board make-up, it is essential that strong and sustainable governance and communication processes are in place throughout the FDIC and that Board members possess and share the information needed at all times to understand existing and emerging risks and make sound policy and management decisions.

Enterprise risk management (ERM) is a key component of governance. The FDIC's numerous risk management activities need to consistently identify, analyze, and mitigate operational risks on an integrated, corporate-wide basis. Additionally, such risks need to be communicated throughout the Corporation, and the relationship between internal and external risks and related risk mitigation activities should be understood by all involved. To that end, the FDIC plans to develop a more comprehensive blueprint to enhance coordination among the various committees and groups that contribute to ERM.

Human Capital Management

The FDIC has undergone significant restructuring and downsizing in response to changes in the industry, technological advances, and business process improvements and, as with many government agencies, the FDIC anticipates a high level of retirement in the next 5 years. The Corporation needs to continue to focus on ensuring that employees have the necessary skill sets to address the issues confronting the FDIC now and into the future—oftentimes issues that are extremely complex and technically challenging. Further, with a large number of employees eligible to retire, succession planning efforts are key to ensuring that institutional knowledge is maintained and a new group of FDIC employees is well prepared to carry out the corporate mission going forward.

In the interest of making the FDIC an employer of choice, increasing FDIC employee engagement and empowerment, enhancing trust between FDIC managers and employees, and refining the Corporation's pay-for-performance system, the Chairman of the FDIC spearheaded a comprehensive employee survey that was carried out by an independent consulting group. The Chairman is committed to effecting necessary changes based on the results of the survey, as evidenced by her announcement regarding improvements to the pay-for-performance program for pay determinations that were due in early 2008. In the upcoming months, many in the Corporation will be challenged as they take steps to address the concerns and issues identified in the employee engagement survey.

Finally, in an age of identity theft risks, another human capital management challenge is to maintain effective controls to protect personal employee-related information that the Corporation possesses. The appointment of a chief privacy officer and implementation of a privacy program have been positive steps in addressing that challenge. Further, the FDIC has established a process for conducting privacy impact assessments of its information systems containing personally identifiable information (PII) that is consistent with relevant privacy-related policy, guidance, and standards. The FDIC is making progress towards completing initiatives to safeguard its PII and related systems consistent with privacy-related statutes, policies, and guidelines. The FDIC recognizes that implementing effective measures to protect PII will require a sustained effort.

Financial Management

As referenced above, the Deposit Insurance Fund totals $51.8 billion. Given such magnitude, FDIC investment policies must require that these funds be invested in accordance with applicable requirements and sound investment strategies. The Board approved a $1.14 billion 2008 Corporate Operating Budget, approximately 3.1 percent higher than for 2007. The FDIC's operating expenses are largely paid from the insurance fund, and consistent with sound corporate governance principles, the Corporation must continuously seek to be efficient and cost-conscious. The FDIC uses its New Financial Environment to better manage and track costs across the Corporation.

With respect to capital investments, effective planning and management of information technology (IT) and non-IT capital investments are mandated by Congress and by the Office of Management and Budget for most federal agencies. Although many of these laws and executive orders are not legally binding on the FDIC, the Corporation recognizes that they constitute sound business practices and has decided to voluntarily adopt them in whole or in part. The FDIC is taking steps to help ensure that approved investment projects are executed on time and within budget, and that they realize anticipated benefits.

Information Technology Management

To address IT management challenges, the FDIC must focus on the effectiveness of the Chief Information Officer Council and Project Management Office, both of which play an important role in reviewing the portfolio of approved IT projects and other initiatives. FDIC processes in this area are at varying degrees of maturity, and the Corporation has activities underway and planned to further strengthen its processes to optimize IT capital investments. It must continue to enhance its Enterprise Architecture (EA) program by identifying duplicative resources/investments and opportunities for internal and external collaboration to promote operational improvements and cost-effective solutions to business requirements. Further, the FDIC should continue to focus attention on improving cost estimation; building project management skills; implementing project management process improvements related to project planning, coordination, and reporting; and establishing procedures to ensure that post-project recommendations, best practices, and lessons learned are integrated into the governance process. Making sound IT business decisions while containing IT costs to the fullest extent possible will continue to challenge corporate officials.

The establishment of an integrated and streamlined e-government infrastructure is a key component of the Corporation's target EA. In this regard, the Corporation has initiated a number of major projects designed to improve internal operations, communications, and service to members of the public, business, and other government entities. The challenge is to ensure that such projects are consistent with e-government principles and implementing guidance from the Office of Management and Budget.

IT and Physical Security

The FDIC relies on automated information systems to collect, process, and store vast amounts of banking and other sensitive information. Much of this information is used by financial regulators, academia, and the public to monitor bank performance, develop regulatory policy, and to research and analyze important banking issues. Ensuring the integrity, availability, and appropriate confidentiality of this information in an environment of increasingly sophisticated security threats and global connectivity requires a strong records management program and a correspondingly effective enterprise-wide information security program. The Corporation has made significant progress in improving its information security and privacy program and practices. However, as shown in our annual evaluation under the Federal Information Security Management Act, continued management attention is needed in certain key security control areas. These include: access control; identification and authentication; certification, accreditation, and security assessments; risk assessment; personnel security; and audit and accountability.

The FDIC must be sure that its emergency response plans provide for the safety and physical security of its personnel and ensure that its business continuity planning and disaster recovery capability keep critical business functions operational during any emergency. Threats to public health such as a pandemic influenza could also put the Corporation's internal emergency preparedness to the test. In this regard, it is important that the Corporation follow through on its planned completion of a Pandemic Influenza Preparedness Plan by April 2008.

Procurement Management

According to the Corporation's New Financial Environment data, the FDIC had $1.52 billion in outstanding contracts as of December 31, 2007, and awarded approximately $379 million in contracts during 2007. Over the past few years, the FDIC has increased its reliance on outsourcing for services such as IT infrastructure support, IT application system development, and facilities maintenance. Additionally, the Corporation negotiated certain "non-federal" employee benefits with the National Treasury Employees Union as part of the 2006-2009 Compensation Agreement. The FDIC has established agreements with benefits service providers to support its employee benefits program. The Corporation has also downsized and reduced its contracting staff over the same time frame, which has posed challenges to contract administration activities. Given this environment, effective and efficient processes and related controls for identifying needed goods and services, acquiring them, and monitoring contractors after the contract award must be in place and operate well. Such attention will serve the Corporation well as it plans for its 2009 reprocurement of IT infrastructure support services, one of its largest procurements. Also, a number of new contracting vehicles and approaches have been implemented requiring different oversight mechanisms and strategies and increasing the need for the FDIC to complete revisions to its acquisition policies that reflect the current procurement environment.

Notes

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