



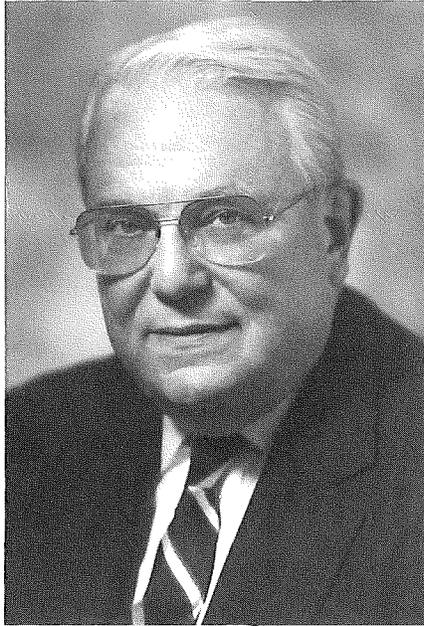
# ANNUAL REPORT 1992



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## MEMBERS OF THE COUNCIL

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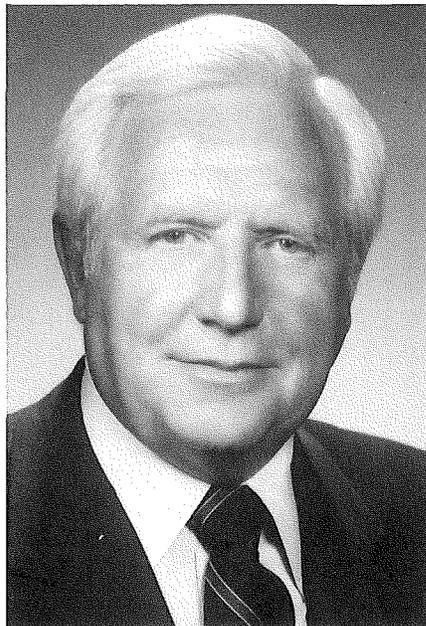
John P. LaWare, *Chairman*  
Member  
Board of Governors of the  
Federal Reserve System



Andrew C. Hove, Jr., *Vice Chairman*  
Acting Chairman  
Federal Deposit Insurance Corporation



Stephen R. Steinbrink  
Acting Comptroller of the Currency  
Office of the Comptroller of the Currency



Roger W. Jepsen  
Chairman  
National Credit Union Administration



Jonathan L. Fiechter  
Acting Director  
Office of Thrift Supervision



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## LETTER OF TRANSMITTAL

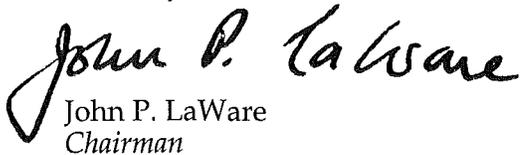
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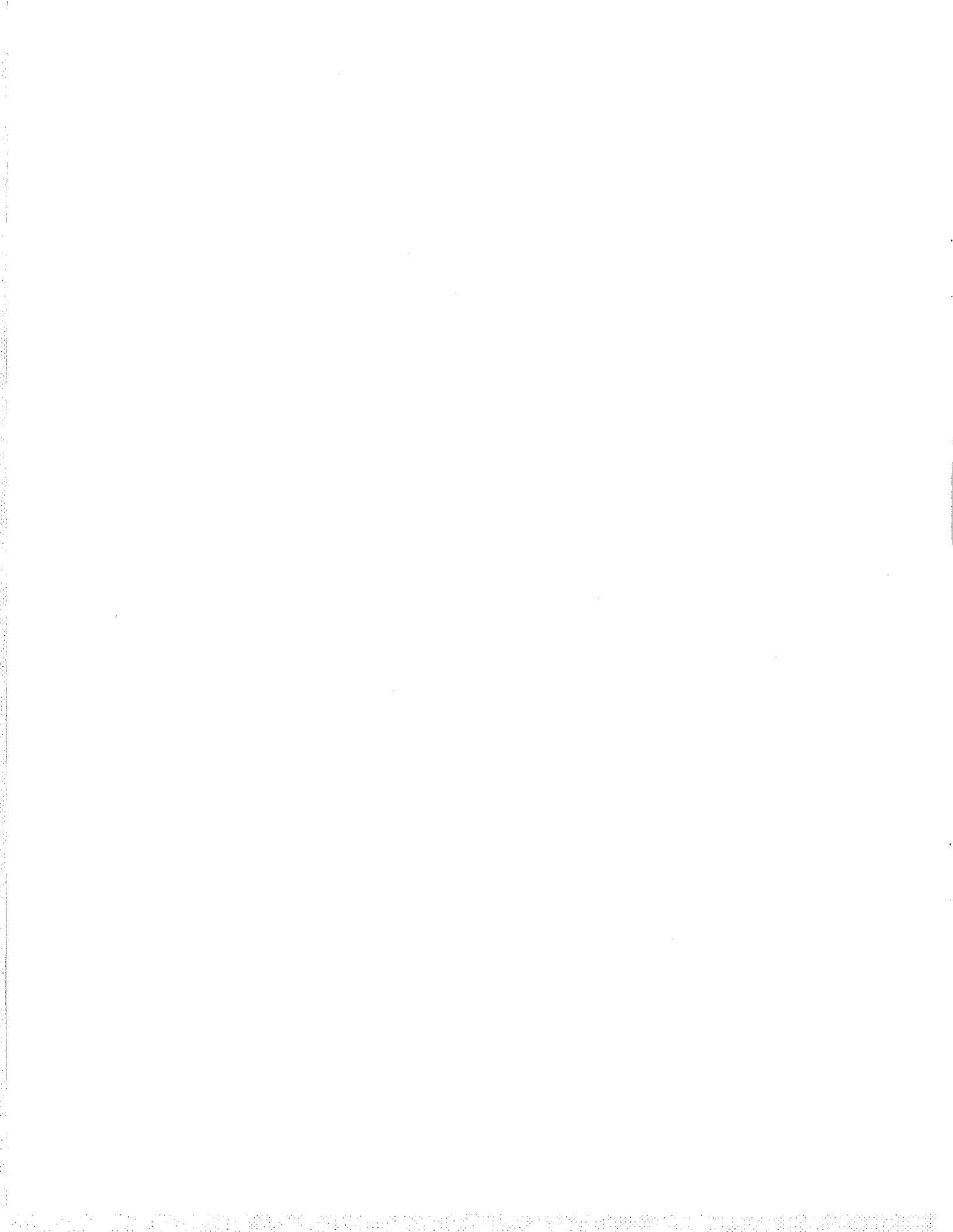
Federal Financial Institutions  
Examination Council  
Washington, D.C.  
March 31, 1993

The President of the Senate  
The Speaker of the House of Representatives

Pursuant to the provisions of section 1006(f) of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (12 USC 3305), I am pleased to submit the 1992 Annual Report of the Federal Financial Institutions Examination Council.

Sincerely,

  
John P. LaWare  
*Chairman*



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## MESSAGE FROM THE CHAIRMAN

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John P. LaWare

The Federal Financial Institutions Examination Council had a very busy and successful year in 1992. The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) mandated a number of new regulations and studies to be designed and implemented, many of them by December 19, 1992. A major assignment for the Council from Section 221 of FDICIA was a study of "unnecessary" regulatory burdens placed on banks and thrifts by their regulators and the U.S. Treasury.

The Council delivered its study on regulatory burden to the Congress on December 17, 1992, as required by FDICIA. After its submission, the Council's principals participated in a press conference highlighting the findings of the 250-page report. A major finding was that the cumulative regulatory burden facing financial institutions is large and growing. Moreover, the burden disproportionately affects smaller banks and thrifts because there appear to be economies of scale in compliance costs, that is, large banks have an advantage in this area. The Council learned that frequent changes in reporting requirements and periodic revisions

of regulations are very costly to implement. Hence, the pace of change in rules and regulations is a burden in itself. Every benefit to consumers from regulation has a cost. Benefits are not free for consumers; they are paid by the institutions and passed on to consumers of bank services.

FDICIA required the Council to assess "unnecessary" regulatory burdens on financial institutions resulting from regulatory agency prerogative, not including any legislative responsibility for such burdens. Many regulatory requirements are mandated by statute and are not initiated by the agencies. The Council's member agencies have agreed to continue meeting to identify and recommend possible statutory changes to reduce regulatory burden further. Because of the difficulty of achieving political consensus, the Council's study also recommends charging an independent nonpolitical group or commission with exploring possibilities for legislative improvement and, perhaps, for political consensus. The Council expects to submit its legislative proposals to the Congress in 1993.

The Appraisal Subcommittee (ASC), now an integral part of the FFIEC, regularly reports to the Council at its meetings. During 1992, the ASC continued to receive registration fees from licensed and certified appraisers throughout the United States and its territories. More than 66,000 appraisers have registered since Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) was enacted, and more are expected to join the rolls in 1993. At this time, there is no apparent shortage of licensed or certified appraisers to handle federally related transactions.

The Council reviewed, besides projects generated by FDICIA, other activities associated with the prudential supervision of our nation's financial institutions. Major activities involving safety and soundness issues in 1992 were (1) the drafting of regulatory reporting requirements for deferred tax assets (in response to FASB No. 109); (2) the review of agency policies on the determination of adequate loan and lease losses; (3) the continuing development of capital rules for recourse transactions; and (4) a major revision of the Council's *EDP Examination Handbook*.

A significant portion of the Council's time is devoted to issues associated with consumers' use of financial services. Expanded features of the Home Mortgage Disclosure Act (HMDA) continue to consume an increasing percentage of the Council's budget. Data collected by Council agencies and the Department of Housing and Urban Development (HUD) are important in the compliance examination process and to many community groups and researchers. The Council needs, therefore, to commit the resources to maintain and improve the quality of the vast amount of data collected from mortgage lenders and others required to submit it. Other consumer-related activities have included the approval of a contract with a consultant to review Council agency performance in meeting the requirements of fair-lending laws, including examination procedures and training programs; a revision of the *Financial Institutions' Guide to CRA*, which offers practical guidance to small and large institutions; the presentation of a training program for examiners on the new Truth in Savings Act, mandated by FDICIA; and the production of the first annual Consumer Compliance Conference for agency and industry participants.

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To reduce the reporting burden on financial institutions, while maintaining the necessary financial information to monitor their performance, the Council issued a policy statement concerning the frequency and timing of changes in the Reports of Condition and Income (Call Reports) for banks and thrifts and certain other reports required to be filed periodically. Reporting institutions will receive, before year-end, notice of changes intended to take effect the following year. The procedure will provide at least ninety days' notice for all Call Report changes once a year. The

Council continues to be hopeful that electronic transmission of Call Report data will at some point gain support from the banking industry. After a review of comments on mandatory electronic filing of Call Reports, the Council withdrew its proposed timetable until the costs and benefits can be further assessed. In July 1992, the Council approved a proposal to phase out the reporting in the Call Reports of highly leveraged transactions (HLTs). It made this decision after the agencies determined that financial institutions had implemented internal controls and review proce-

dures to monitor these types of credit.

The State Liaison Committee (SLC) continues to provide valuable input to the implementation of supervisory policy and to continued progress in the coordination of examinations of multistate banking organizations. Without SLC participation in the examination process, complying with the dictum of FDICIA that all financial institutions receive annual on-site examinations would be extremely difficult.

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# THE FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

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The Federal Financial Institutions Examination Council (Council) was established on March 10, 1979, pursuant to title X of Public Law 95-630, the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (FIRA). The purpose of title X was to create a formal interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision, and to make recommendations to promote uniformity in the supervision of financial institutions. The Council is also responsible for developing uniform reporting systems for federally supervised financial institutions, their holding companies, and the nonfinancial institution subsidiaries of those institutions and holding companies. It conducts schools for examiners employed by the five agencies represented on the Council and makes those schools available to employees of state agencies that supervise financial institutions. It was the overall intent of the legislation that the Council promote consistency in federal examinations and

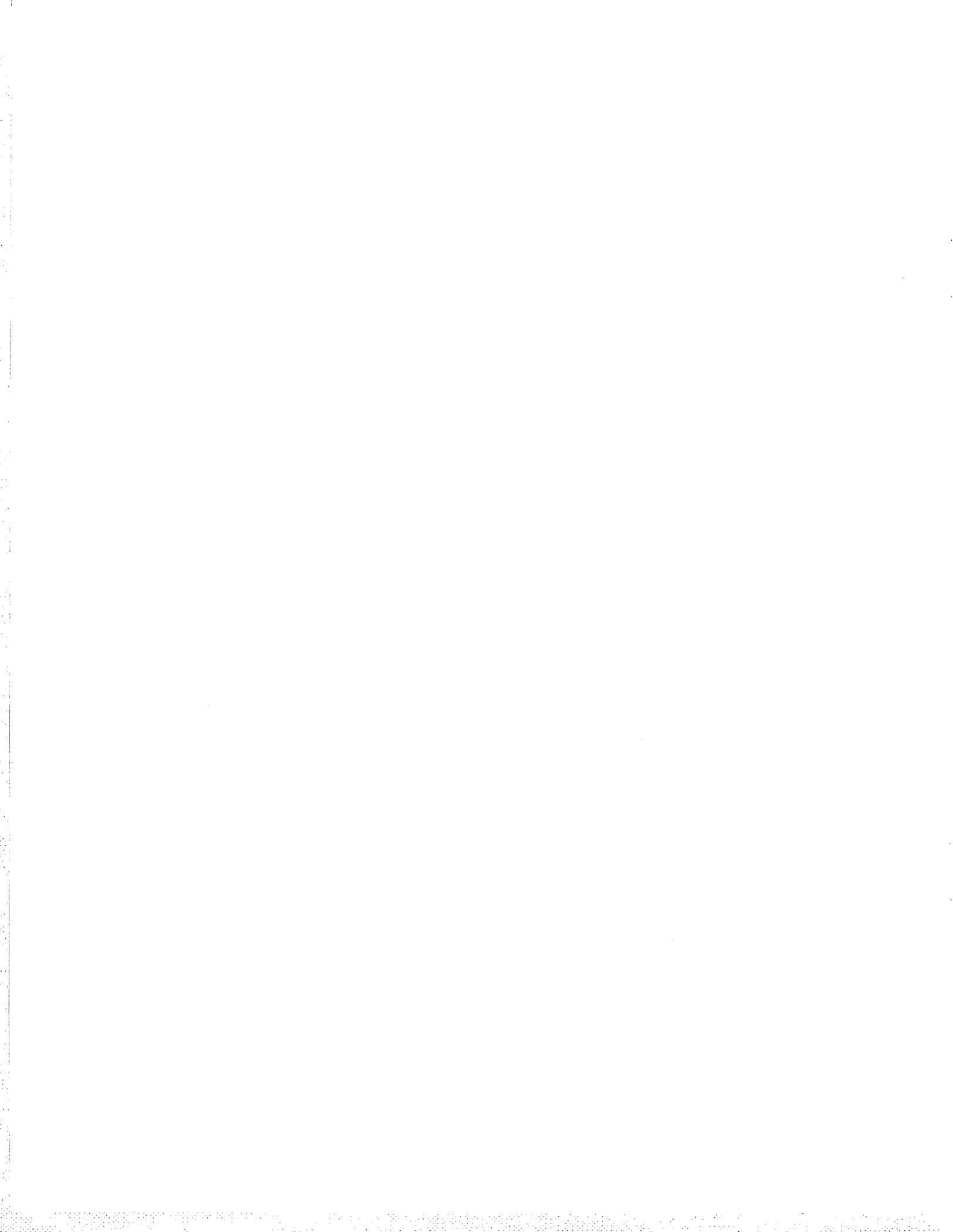
progressive and vigilant supervision overall. Under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the Council was authorized also to develop and administer training seminars in risk management for the employees of the agencies represented on the Council and the employees of insured financial institutions.

The Council was given additional statutory responsibilities under the Housing and Community Development Act of 1980 (section 340 of Public Law 96-399, October 8, 1980). Among these responsibilities are the implementation of a system to facilitate public access to data that depository institutions must disclose under the Home Mortgage Disclosure Act of 1975 (HMDA) and the aggregation of annual HMDA data, by census tract, for each metropolitan statistical area.

In 1989, title XI of FIRREA established the Appraisal Subcommittee within the Examination Council. The functions of the subcommittee are (1) monitoring the requirements established by states for the certification and licensing of individuals who are qualified to perform appraisals in connection with federally related transactions, including a code of professional responsibil-

ity; (2) monitoring the appraisal standards established by the federal financial institutions regulatory agencies and the Resolution Trust Corporation; (3) maintaining a national registry of appraisers who are certified and licensed by a state and who are also eligible to perform appraisals in federally related transactions; and (4) monitoring the practices, procedures, activities, and organizational structure of the Appraisal Foundation, a nonprofit educational corporation established by the appraisal industry in the United States.

The Council has five members: the Comptroller of the Currency, the Chairman of the Federal Deposit Insurance Corporation, a member of the Board of Governors of the Federal Reserve System appointed by the Chairman of the Board, the Chairman of the National Credit Union Administration Board, and the Director of the Office of Thrift Supervision. Also, to encourage the application of uniform examination principles and standards by the state and federal supervisory authorities, the Council has established, in accordance with the requirement of the statute, an advisory State Liaison Committee composed of five representatives of state supervisory agencies.



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## RECORD OF ACTIONS OF THE COUNCIL

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*The Examination Council in Session 1992.*

The following section is a chronological record of the official actions taken by the Federal Financial Institutions Examination Council during 1992 pursuant to sections 1006, 1007, and 1009A of Public Law 95-630; and sections 121, 122, 141(c), 221, 232(b)(1), 306, and 477 of Public Law 102-242 (Federal Deposit Insurance Corporation Improvement Act of 1991).

### **January 28**

*Action.* Unanimously approved issuing for public comment a proposed change to the Call Report instructions that would lower the risk weight for certain loans.

*Explanation.* The bank and thrift regulators are considering, for their risk-based capital standards, lowering the risk weight from 100 percent to 50 percent for certain loans to builders for the construction of one-to-four-family residences that have been presold to home pur-

chasers. The 50 percent risk weight is currently applied to qualifying one-to-four-family residential mortgages, whereas a 100 percent risk weight is generally assigned to construction loans. To reduce the risk weight for presold residential construction loans, the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS) would need to amend their risk-based capital guidelines.

In contrast, the Federal Reserve Board (FRB) and the Federal Deposit Insurance Corporation (FDIC) could implement this change through a revision in the Call Report instructions rather than by directly amending their risk-based capital guidelines. Consequently, the Council is proposing the change, which would add loans to builders for the construction of one-to-four-family residences that have been presold to home purchasers and that meet certain other prudential criteria to the category of loans

“secured by one-to-four-family residential properties.”

### **January 28**

*Action.* Unanimously approved additional funding to contract for an outside consultant to develop uniform Equal Credit Opportunity Act and Fair Housing Act examination procedures and training programs for Council member agencies.

*Explanation.* Agency testimony before the Congress has committed the agencies to taking specific action to ensure their enforcement of fair-lending laws, rules, and regulations. The Consumer Compliance Task Force recommended retaining a consultant to review the agencies' examination procedures and examiner-training programs regarding fair-lending laws. The consultant's product will be the development of uniform examination procedures and examiner-training curricula to be implemented by each of the agencies.

### February 3

*Action.* Unanimously approved the 1991 annual report of the Council to the Congress.

*Explanation.* The legislation establishing the Council requires that, not later than April 1 of each year, the Council publish an annual report covering its activities during the preceding year.

### March 24

*Action.* Unanimously approved that two international banking courses conducted by the Council for agency examiners be revised.

*Explanation.* The interagency courses are designed to provide current guidance to agency examiners in the supervision of large regional and multinational banks and U.S. branches and agencies of foreign banks that are actively engaged in international banking activities.

### May 12

*Action.* Unanimously approved issuing for public comment a proposal for the collection of data on small businesses and small farms.

*Explanation.* Section 122 of FDICIA requires the federal banking agencies annually to collect in the bank Call Reports from insured banks, savings banks, savings associations, and insured U.S. branches of foreign banks, information on small business and small farm lending, as the agencies may need to assess the availability of credit to these sectors of the economy.

### July 28

*Action.* Unanimously approved the implementation of regulatory reporting changes arising from certain provisions of FDICIA and the

discontinuation of collection of data on highly leveraged transactions.

*Explanation.* Section 141(c) of FDICIA requires the collection of "uninsured deposit" information in the Reports of Condition and Income (Call Reports), Thrift Financial Report (TFR), and Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (Branch and Agency Call Report). Further, Section 232(b)(1) of FDICIA requires the addition of an item for "lifeline accounts" in the Call Report, TFR, and Branch and Agency Call Report. Additionally, Section 306 of FDICIA amends Section 22(h) of the Federal Reserve Act requiring expansion of the coverage of the Call Report items on "extensions of credit by the reporting bank to its executive officers, principal shareholders, and their related interests" to include "directors and their related interests."

### July 28

*Action.* Unanimously approved issuing for public comment a proposal on various regulatory reporting and capital treatments for net deferred tax assets of federally supervised banks and savings associations for purposes of the bank Call Reports and TFRs.

*Explanation.* This proposal is a response to the adoption by the Financial Accounting Standards Board of the Statement of Financial Accounting Standards No.109 (FASB 109), "Accounting for Income Taxes."

Section 1006(c) of the Federal Financial Institutions Examination Council Act authorizes the Council to develop uniform reporting standards for federally supervised financial institutions. In addition, Section 121 of FDICIA indicates that the agencies shall maintain uniform accounting standards. Section 121 of FDICIA also indicates that the accounting principles of the

agencies should do the following: (1) result in financial statements and reports of condition that accurately reflect the capital of the institution; (2) facilitate effective supervision of the institution; and (3) facilitate prompt corrective action to resolve the institution's problems at the least cost to the insurance funds.

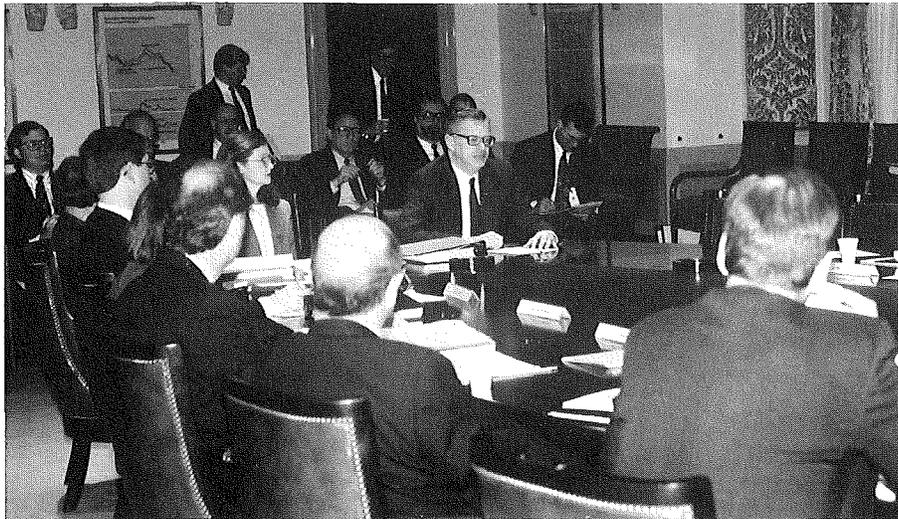
### October 15

*Action.* Unanimously approved the annual reporting requirements for insured banks, thrifts, and U.S. branches of foreign banks on loans to small businesses and small farms.

*Explanation.* Section 122 of FDICIA requires the federal banking agencies annually to collect from insured depository institutions in their "reports of condition" such information on small business and small farm lending as the agencies may need to assess the availability of credit to these sectors of the economy.

Section 477 of FDICIA requires the Federal Reserve Board to collect and publish, on an annual basis, information on the availability of credit to small businesses. This annual report is required, to the extent practical, to include (1) information on commercial loans to small businesses, agricultural loans to small farms, and loans to minority-owned businesses; (2) information broken out by the annual sales of small businesses and of those small businesses in existence for less than a year; and (3) information on these loans by geographic region.

After obtaining public comments on the proposed reporting requirements, the Council determined that institutions would be required to report information on business loans with original amounts of \$1 million or less and farm loans with original amounts of \$500,000 or less.



Thomas A. Durkin of the Federal Reserve Board discussing the final draft of the Council's "Study on Regulatory Burden."

### December 8

*Action.* Unanimously approved for publication the Council's "Study on Regulatory Burden."

*Explanation.* Section 221 of FDICIA required the Council in consultation with interested parties, including insured depository institutions and consumer and community groups, to undertake four tasks:

- To review the policies, procedures, recordkeeping, and documentation requirements used to monitor and enforce compliance with all laws under the jurisdiction of the federal banking agencies and the Department of the Treasury;
- To determine whether such policies, procedures, and requirements impose unnecessary burdens on the insured depository institutions;
- To identify any revisions of such policies, procedures, and requirements that could reduce unnecessary burdens without diminishing compliance with or enforcement of consumer laws or endangering the safety and soundness of insured institutions;
- To report on such identified revisions

to the Congress within one year.

The completed report was submitted to the Congress on December 17, 1992.

### December 8

*Action.* Unanimously approved issuing a policy statement to address the problem of the use of large-value funds transfers for money laundering.

*Explanation.* The President of the United States has joined with the leaders of other nations to sponsor a Financial Action Task Force (FATF). The FATF is primarily developing international guidelines to facilitate the identification and prosecution of money-laundering activities.

To assist the U.S. Treasury and Justice Departments in obtaining information to identify the originators of wire transfers and to help identify money-laundering systems that move money from bank to bank, the federal financial regulators issued the policy statement encouraging financial institutions to support law enforcement efforts in this area by including, to the extent practical, complete originator and

beneficiary information when sending payment orders, including payment orders sent through Fedwire, CHIPS, and SWIFT.

### December 9

*Action.* Unanimously approved a memorandum of understanding defining the agreement between the Council, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency for production and distribution of the Uniform Bank Performance Report (UBPR) for 1993-95.

*Explanation.* The memorandum of understanding is an agreement among the three federal banking agencies and the Council that sets forth the duties and responsibilities for producing and distributing the UBPR. The current agreement expires at the end of 1992, and the new agreement covers three years beginning January 1, 1993. Under the agreement, the FDIC is responsible for producing the UBPR, distributing UBPRs to state bank supervisory agencies, and selling UBPRs to the public. The Council provides general staff support to the UBPR effort, and the three federal bank-supervisory agencies share equally the total costs and revenues generated by the UBPR activities.

### December 23

*Action.* Approved by a 4-0-1 vote a recommendation to the Federal Reserve Board, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and Office of Thrift Supervision that each agency amend its regulatory capital standards to limit the amount of deferred tax assets that may be used to meet capital requirements.

*Explanation.* These actions have been taken in response to the Financial Accounting Standards Board's

Statement No. 109, "Accounting for Income Taxes." The Council's decision reflects its consideration of responses to an August 1992 request for comment on possible regulatory reporting and capital treatments for net deferred tax assets.

### **Actions Taken by the Council's Task Forces under Delegated Authority**

#### **Task Force on Consumer Compliance**

- February 13—Approved examination procedures for the Expedited Funds Availability Act.
- March 24—Approved two revisions and two additions to the Interagency Questions and Answers regarding community reinvestment.

#### **Task Force on Reports**

- July 28—Approved a uniform formal policy concerning the frequency and timing of changes to the regulatory reports of the federal financial regulatory agencies.



*Council Chairman LaWare and members of the Council at the December 1992 press conference announcing the completion of the Council's "Study on Regulatory Burden."*

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# STATE LIAISON COMMITTEE REPORT

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In Section 1007 of Public Law 95-630, the Congress authorized the establishment of the State Liaison Committee (SLC) "to encourage the application of uniform examination principles and standards by state and federal supervisory agencies." The SLC carries out this responsibility by assuming an active advisory role in all Council deliberations, especially when matters pertaining directly to joint state and federal regulatory concerns or jurisdictional overlaps are at issue. The primary objectives of the SLC are to foster communication and cooperation between state and federal supervisory authorities and to reduce redundant supervisory procedures.

The SLC believes that the Council can effectively coordinate activities among the federal agencies and between federal agencies and their state counterparts to economize on the combined state and federal resources devoted to the supervision and regulation of financial institutions.

The Council provides the SLC with a staff position. This staff support allows the SLC members to be fully informed on Council matters and to participate in all Council activities,

including task force assignments and other projects.

## **Organization**

The SLC consists of five representatives of state agencies that supervise financial institutions. The representatives are appointed for two-year terms. An SLC member may have his or her two-year term extended by the appointing organization for an additional, consecutive two-year term. Each year, the SLC elects one of its members to serve as chair for twelve months. Of the five members, two are selected by the Council. The other three are individually designated by the American Council of State Savings Supervisors (ACSSS), the Conference of State Bank Supervisors (CSBS), and the National Association of State Credit Union Supervisors (NASCUS). A list of the SLC members appears on page 10 of this report.

## **Participation in Examination Council Activities**

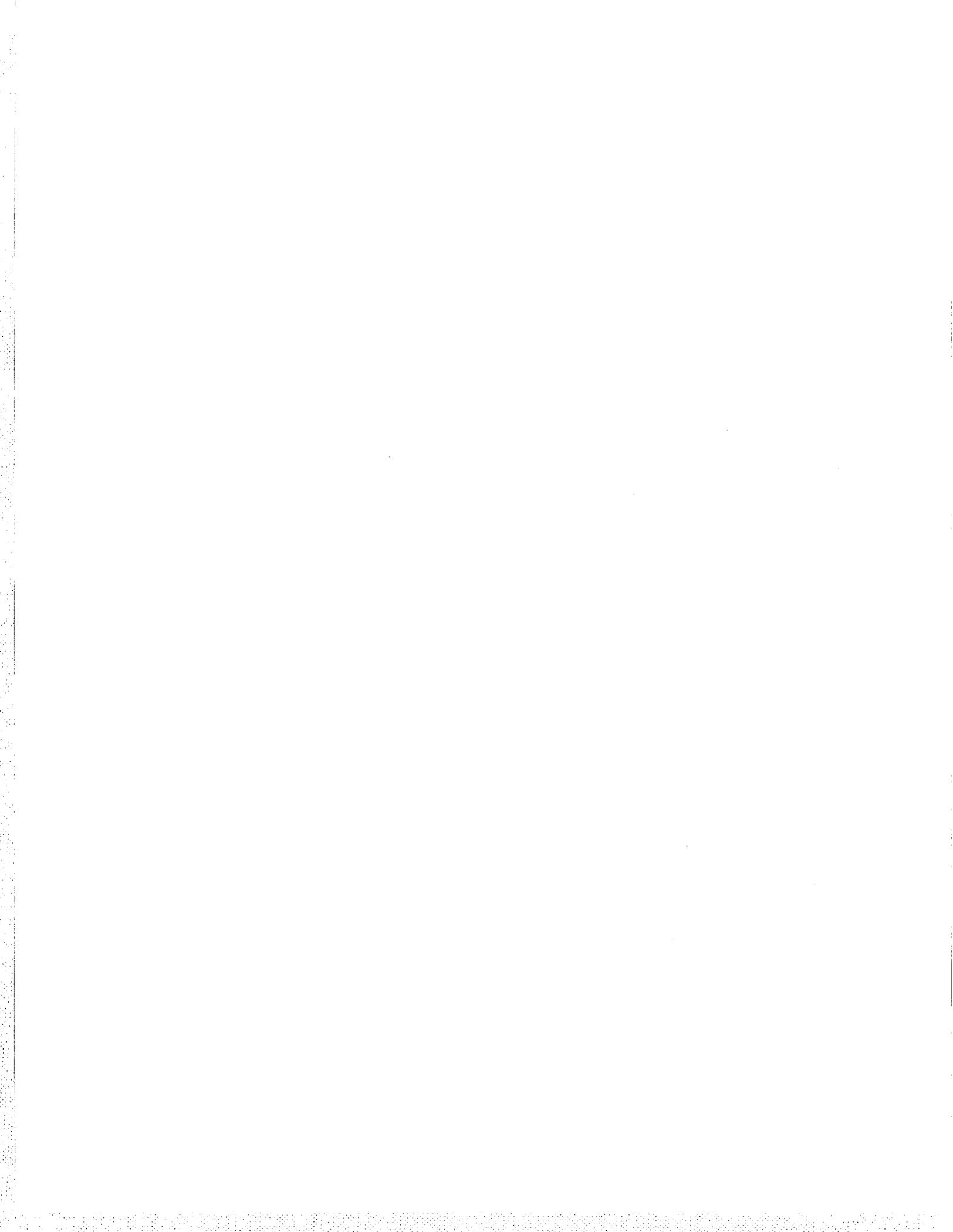
During 1992, the SLC actively participated in deliberating several key

issues, most notably the regulatory burden study completed by the Council for the Congress. The input developed by the state counterparts for the federal agencies greatly helped the effort to obtain a national viewpoint for this important project.

The SLC was also active in examining issues relating to the electronic transmission of Call Report data and made several recommendations to the Council for its implementation and possible exemptions.

It was involved in the discussions of consumer compliance issues ranging from civil money penalties to the review of Federal Fair Housing procedures and related training. The perspective that the states brought to the Council on consumer issues reflects careful analysis and broad knowledge and experience.

Throughout the year, the SLC fostered state and federal cooperation and worked to eliminate duplication of efforts. The continued success of the programs shared by state and federal regulatory agencies is greatly due to the SLC's work over the course of 1992.



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## ADMINISTRATION OF THE COUNCIL

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*Council Chairman LaWare and Executive Secretary Cleaver*

Regular meetings of the Council are held quarterly. Special meetings may be scheduled whenever matters of high priority must be considered without delay.

The Council's activities are funded in several ways. Most of the Council's funds derive from semi-annual assessments on the five agencies represented on the Council. The Council is reimbursed for the services it provides to support the preparation of the quarterly Uniform Bank Performance Report. It also receives tuition fees from nonagency attendees to cover some of the costs associated with its examiner-education program.

The Council receives budget and accounting services from the Federal Reserve Board, whose controller serves as the Council's controller. The Council has a small full-time administrative staff in its operations office, and its examiner-education program is administered by staff located at its Examiner Training Facility in Rosslyn, Vir-

ginia. Each Council staff member is detailed from one of the five agencies represented on the Council but is considered an employee of the Council.

All Council employees are in the Office of the Executive Secretary. The major responsibilities of the Office of the Executive Secretary are the following:

- Scheduling Council meetings, preparing agendas for Council meetings, preparing minutes of Council meetings, and reviewing all material for Council consideration
- Monitoring the work of all interagency staff groups involved in the Council's activities and helping staff groups set priorities and define key issues
- Undertaking special projects and studies as requested by the Council
- Working closely with members of the State Liaison Committee to ensure adequate communication among the members, the Council, and the interagency staff groups
- Coordinating public-information activities, including preparation and distribution of Council press releases
- Maintaining liaison with the Congress and with federal departments and agencies
- Preparing the Council's annual report to the Congress
- Coordinating the production and distribution of the quarterly Uniform Bank Performance Report and related data
- Coordinating the collection, production, and distribution of Home Mortgage Disclosure Act data
- Managing the Council's examiner-education program.

The five interagency staff task forces and the Legal Advisory Group (LAG) provide most of the staff support in the substantive areas of concern to the Council. The task forces and the LAG are responsible for the research and other investigative work done by agency staff members on behalf of the Council and for reports and policy recommendations prepared for consideration by the Council. Also, the Council has established the Agency Liaison Group, an interagency group of senior officials responsible for the overall coordination of efforts by their respective agencies' staff members in support of the Council. The Executive Secretary of the Council is an ex officio member of the five interagency staff task forces as well as the Agency Liaison Group. The staff time and other resources expended on Council-related projects in 1992 were provided by the five agencies without reimbursement and are not reflected in the Council budget. Without those contributions by the agencies and the individual staff members, significant progress on Council projects during 1992 would have been impossible.

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**Organization, December 31, 1992****Members of the Council**

John P. LaWare, *Chairman*  
Member

Board of Governors of the  
Federal Reserve System (FRB)

Andrew C. Hove, Jr. *Vice Chairman*  
(Acting) Chairman  
Federal Deposit Insurance  
Corporation (FDIC)

Jonathan L. Fiechter  
(Acting) Director  
Office of Thrift Supervision (OTS)

Roger W. Jepsen  
Chairman  
National Credit Union  
Administration (NCUA)

Stephen R. Steinbrink  
(Acting) Comptroller of the  
Currency  
Office of Comptroller  
of the Currency (OCC)

**State Liaison Committee**

James E. Gilleran, *Chairman*  
Superintendent of Banks  
California

Sandra K. Branson  
Director/Division of Credit  
Unions  
Missouri

Sarah W. Hargrove  
Secretary of Banking  
Pennsylvania

Margie H. Muller  
State Bank Commissioner  
Maryland

John D. Seymour  
Commissioner, Savings & Loan  
Commission  
Illinois

**Council Staff Officers**

Joe M. Cleaver  
*Executive Secretary*

Keith J. Todd  
*SLC Coordinator and Assistant  
Executive Secretary*

**Interagency Staff Groups***Agency Liaison Group*

Paul G. Fritts (FDIC)  
Susan F. Krause (OCC)  
D. Michael Riley (NCUA)  
John Robinson (OTS)  
Frederick M. Struble (FRB)

*Legal Advisory Group*

J. Virgil Mattingly, *Chairman*  
(FRB)  
Robert M. Fenner (NCUA)  
Douglas H. Jones (FDIC)  
Carolyn B. Lieberman (OTS)  
Robert B. Serino (OCC)

*Consumer Compliance Task Force*

Janice M. Smith, *Chairwoman*  
(FDIC)  
Timothy R. Burniston (OTS)  
Stephen M. Cross (OCC)  
Glenn E. Loney (FRB)  
William P. Ryan (NCUA)

*Examiner Education Task Force*

Eugene T. Byrne, *Chairman*  
(OTS)  
Paul J. Barsnica (OCC)  
Nancy M. Griggs (FRB)  
Martin F. Kushner (NCUA)  
Robert J. Ruff (FDIC)

*Reports Task Force*

Robert F. Storch, *Chairman*  
(FDIC)  
Thomas R. Boemio (FRB)

Gary H. Christensen (OCC)  
Thomas A. Loeffler (OTS)  
Alonzo S. Swann (NCUA)

*Supervision Task Force*

John Robinson, *Chairman*  
(OTS)  
Paul G. Fritts (FDIC)  
Susan F. Krause (OCC)  
David M. Marquis (NCUA)  
Richard Spillenkothen (FRB)

*Surveillance Systems Task Force*

Barbara Cornyn, *Chairwoman*  
(FRB)  
Joseph R. Bauer (FDIC)  
Thomas A. Loeffler (OTS)  
Renee Valliere (NCUA)  
Michael Yuenger (OCC)

**Members of the Appraisal Subcommittee**

Fred D. Finke, *Chairman*  
(OCC)  
Morris Carter (HUD)  
Diana L. Garmus (OTS)  
Robert F. Mialovich (FDIC)  
Rhoger H Pugh (FRB)  
Alonzo S. Swann (NCUA)

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## ACTIVITIES OF THE INTERAGENCY STAFF GROUPS

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Section 1006 of Public Law 95-630 sets forth the functions of the Council. Briefly summarized, these functions are the following:

- Establish uniform principles, standards, and report forms for the examination of financial institutions and make recommendations for uniformity in other supervisory matters
- Develop uniform reporting systems for federally supervised institutions, their holding companies, and subsidiaries of those institutions and holding companies
- Conduct schools for examiners employed by the federal supervisory agencies and make those schools available to employees of state supervisory agencies under conditions specified by the Council.

To administer projects effectively in all of those functional areas, the Council established the following five interagency staff task forces:

- Consumer Compliance
- Examiner Education
- Reports
- Supervision
- Surveillance Systems

Each task force includes one senior official from each agency. The Council also established the Legal Advisory Group, composed of a senior legal officer from each agency. The task forces and the Legal Advisory Group provide research and analytical papers and proposals on the issues that the Council addresses.

### **Task Force on Consumer Compliance**

The Task Force on Consumer Compliance promotes policy coordina-



*Back row: Gene Byrne (left), Chairman of the Examiner Education Task Force; Virgil Mattingly, Chairman of the Legal Advisory Group; front row: Robert Storch, Chairman of the Task Force on Reports; and Janice Smith, Chairwoman of the Consumer Compliance Task Force.*

tion and uniform enforcement of consumer laws by the five agencies represented on the Council. It is composed of senior personnel who are knowledgeable in consumer compliance matters. The task force identifies and studies problems concerning consumer compliance and fosters uniformity in the policies and procedures used by member agencies.

The task force is responsible for those laws and regulations that protect consumers who conduct business with financial institutions. The task force also addresses other legislation, regulations, or policies at the state and federal levels that potentially affect the agencies' consumer compliance responsibilities.

### **Activities of the Task Force**

Throughout 1992, the task force undertook projects to enhance the supervisory agencies' efforts to assist examiners, financial institutions, and community groups in their attempts to implement and comply with the Community Reinvestment Act, the Home Mortgage Disclosure Act, and the fair-lending laws.

To implement the recommendations of an interagency working group, the CRA subcommittee revised and distributed new CRA examination procedures. These new procedures were accompanied by a policy statement that clarifies the agencies' expectations regarding documentation that financial institutions should maintain to support their CRA performance efforts.

The CRA subcommittee updated, expanded, and distributed "Interagency Questions and Answers Regarding CRA" during the first quarter of 1992. This document, which provides uniform positions on common CRA concerns, was well received.

The CRA subcommittee will continue to analyze ways of making the examination process more effective and of providing uniform guidance to financial institutions.

FIRREA expanded the HMDA data collection requirements. The HMDA subcommittee, in coordination with HUD, worked closely with staff members of the Federal Reserve to develop a reporting format and a computer system to accommodate these requirements. An amendment to Regulation C improved the analysis process by requiring the collection of additional information on each loan applicant. To assist examiners in analyzing HMDA data during examination, the HMDA working group also developed reports and tables that identify pertinent ratios to augment the examination process.

The FFIEC has engaged a consultant to independently review the existing fair-lending examination procedures and training programs of each member agency. At the conclusion of the review, the task force will make appropriate recommen-

dations to the Council for the revision of existing programs.

The Enforcement working group is reviewing an interagency supervisory policy on the Equal Credit Opportunity Act/Fair Housing Act. Recommendations for approval will be made in conjunction with the suggestions of the fair-lending consultant.

The FFIEC will publish a new *Financial Institutions' Guide to CRA*. This guide gives institutions a general understanding of their obligations under the CRA and offers practical advice and guidance to small and large institutions.

In response to the FDICIA, Title II, Section 262, the Task Force on Consumer Compliance developed an interagency training program for examiners. One of the purposes of this section of the act, called Truth in Savings, is to improve the consumer's ability to make informed decisions about deposit accounts as a result of the uniform disclosure of rates of interest and fees. During 1993, the task force will develop examination procedures to monitor and ensure compliance with this act. The following projects are planned for 1993:

- The coordination of regional meetings between community groups and industry representatives to facilitate an exchange of ideas and recommendations. The task force believes these discussions will enhance the implementation of the Community Reinvestment Act.
- The first annual Interagency Consumer Compliance Conference, designed by the task force, will be held. The conference will address the most current and controversial consumer compliance issues from regulatory and industry perspectives.

### **Task Force on Examiner Education**

The Council develops and offers various conferences and courses

aimed at examiners of financial institutions and other agency staff members. Conferences enable examiners to understand better the banking innovations they encounter and to keep abreast of legal and regulatory changes; courses aid in transferring skills needed by examiners. Programs are open to state and foreign financial-institution examiners. State examiners generally register through a member agency but may register directly with the Council. Staff members from the Farm Credit Administration and, occasionally, from the Secret Service and the Treasury Department also attend the programs. The Council has offered seminars for bankers since 1990.

Since its inception in 1979, the Council has provided training to 34,255 students. This number includes 1,228 attendees at Risk Management Planning seminars since they began in 1990. Except for the latter program, students have been federal and state regulators and foreign central bankers. In recent years, the Council's training volume has ranged from 3,000 to 4,000 students each year. During 1992, a curriculum of fifteen courses and conferences was available. The cadre of instructors consists of examiners and other staff members from the member agencies, the states, and other participating agencies. Industry specialists serve as guest speakers in many of the programs. Interagency groups concerned with course development provide guidance on the selection of topics and guest speakers.

The goals of the training program are the following:

- To develop and to offer high-quality courses, seminars, and conferences that meet the needs of financial-institution examiners
- To provide training opportunities for state and foreign supervisory agencies of financial institutions

- To promote efficiency in training by eliminating duplication where agencies' training needs coincide
- To foster uniformity of examiner education through joint sponsorship of interagency training.

High quality programs are devoted entirely to the needs of examiners. When many agencies are involved, the pool of potential instructors is larger, selecting the appropriate specialist is easier, and the quality of instruction is greatly enhanced. A large pool of instructors also reduces the teaching burden on an individual agency.

### **Costs**

With interagency training, offering one course for several agencies is often less costly than each agency's developing and conducting courses on the same subject. An agency with little expertise in a new, specialized area has quick and inexpensive access to the needed training.

Participating agencies provide most of the instructors, thus costs are kept low. Each agency provides financial support for the school in proportion to its planned utilization. This enrollment-based, cost-sharing plan is used in lieu of a stated rate of tuition.

For 1992, the average training cost to the member agencies was approximately \$200 for each course attendee and \$300 per conference attendee. State financial-institution supervisors paid a rate based on this estimate of the amount the member agencies paid. Attendees from agencies other than those of the states and the members of the Council paid \$300 for each course attendee and \$400 for each conference attendee. At the end of the fiscal year, any budgetary surplus was returned to the member agencies.

## Facilities

Beginning in April 1991, the Council training staff moved its operations to the FDIC facility near the Virginia Square Metro Station in Arlington, Virginia. This facility offers convenient access to a 100-seat auditorium and to lodging. The Council leases its office and classroom space at market rates.

Regional programs are usually conducted in the cities in which District or Reserve Bank offices of the member agencies are located.

## Program Initiatives

During 1992, the Council developed a new conference series, "Emerging Issues." This series deals primarily with regulatory changes and market forces affecting the banking and thrift industries. The Council also authorized a conference on consumer compliance to begin in 1993.

### *Risk-Management Training for Industry Executives*

In response to FIRREA, Section 1218, the Council conducted three seminars for bankers in 1992 on risk-management planning. These seminars were aimed primarily at chief executive officers of insured financial institutions; they were also opened to senior examiners. The seminars had three goals:

- To encourage top management to evaluate its present risk-management systems and make improvements if needed
- To provide a conceptual framework in which financial institutions can develop a systematic approach to managing risk on a bankwide basis
- To encourage full dialogue between executive management and boards of directors regarding their institution's system of managing risks.

Although topics changed somewhat from session to session, the following were discussed at one or more sessions of the seminar:

- The Risk-Management Process: Identifying, Assessing, and Controlling Risk
- Risk/Return Analysis of Bank Products
- Linking Credit Culture and Risk Management
- Recognizing Risk-Management Issues in Incentive Systems
- The Impact of FDICIA on Interest Rate Risk Management
- Credit Risk Management
- Managing Securities Risks
- The Community Bank Risk-Management Examination
- Instituting a Bankwide Risk-Management System

During 1992, seminars were held in Phoenix, Boston, and Washington, D.C. Approximately 200 senior bank executives attended each session. For 1993, sessions will be conducted in Cincinnati and Los Angeles.

### *International Banking Curriculum*

The international banking curriculum was extensively revised. Because its objectives were almost entirely knowledge based, the basic international banking course, International Banking I, was replaced with a self-study course. This is a cost-saving substitute for classroom training, and more than 600 course manuals were provided to the member agencies. International Banking II and International Capital Markets were replaced by a new intermediate-level International Banking School. Since 1988, the OCC has conducted the Advanced Foreign Exchange School and has made the sessions available to the other member agencies.

## Courses Offered in 1992

### *Conducting Meetings with Management*

This one-week course gives participants practice and confidence in organizing and leading meetings with financial-institution management. Emphasis is placed on the final "exit meeting" conducted at the close of many examinations. Each attendee leads three meetings with small groups in which other participants role-play as officers and directors of an institution. Difficult meeting circumstances and problem reports are the subjects of the exercises. Videotaped replays are used in post-presentation critiques. The targeted audience for the course is commissioned examiners who are beginning to lead final discussions with management and others who want to improve their skills in leading meetings.

### *EDP Symposium*

The EDP Symposium is a week-long meeting of senior data-processing examiners who address an emerging area of supervisory concern chosen by the EDP Subcommittee of the Task Force on Supervision. The symposium is not a course in the usual sense: The primary flow of information is from the participants to the course leaders. During the week, participants develop and refine a consensus report. The report is submitted to the Task Force on Supervision, which weighs its possible effects on examination policies and procedures. Attendance is limited to twelve leading EDP examiners per session. The session conducted in 1992 addressed Management Control and Security Issues in Electronic Document Imaging Systems.

### *Instructor Training*

This workshop prepares examiners for teaching in agency and Council schools. Participants plan and give three presentations during the week. Some presentations are

video-taped for critical review. The course provides guidance in instructional techniques, lesson planning, and use of audio-visual aids. This course has a considerable multiplier effect in terms of its impact on numerous other courses. All potential instructors for Council schools who have no teaching experience must take this course before beginning their teaching duties. During the year, eleven sessions were conducted.

#### *Management Workshop*

This workshop is a one-week, general skill-building course designed to strengthen and expand the practical application of basic management concepts. Attendees bring assessments of their skills completed by themselves and by colleagues or subordinates and administer self-assessment questionnaires. These assessments are scored and evaluated on scales that present a picture of each one's management ability and style. Basic concepts are presented through lectures, videotapes, and small group discussions. The desired results are an improved self-perception as a manager, greater knowledge of good

management techniques, and improved management practices. As a prerequisite, participants should have between three and ten years' examining experience. Approximately thirty sessions, including numerous regional ones, are provided yearly.

#### *Testifying*

This workshop is designed for commissioned examiners who are likely to testify at a hearing or trial in the foreseeable future. Only those who are scheduled to testify imminently are encouraged to attend. Attorneys who role-play as prosecutors, defense counsel, and judges conduct a mock trial of an actual case. Instructors report that they also benefit from participating in the course. Examiners review their testimony by videotape and receive critiques from trial attorneys. Special thanks are due the Department of Justice for providing many of the attorney-instructors. In 1992, a highlight of many sessions was a summary meeting in the chambers of The Honorable Stanley Sporkin, U.S. District Judge for the District of Columbia. Four sessions are planned for 1993.

#### Conferences

##### *Consumer Compliance*

A conference on consumer compliance will be offered for the first time in 1993. Its purpose is to update senior compliance examiners on current and prospective developments in this area of regulation. Speakers will be nationally recognized leaders from industry and senior staff members from the regulatory agencies. The Consumer Compliance Task Force provides leadership in the selection of topics and speakers. It is expected that this conference will become an annual event.

##### *Emerging Issues*

Aimed at senior examiners, this conference provides authoritative analysis of contemporary and emerging technical issues confronting the regulatory and banking communities. It is attended by many field office managers. The first two sessions were offered in 1992. In 1993, two versions of the conference will be available, one for examiners of multinational and super-regional institutions, and one for examiners of community and regional institutions. Five sessions of this four- and-one-half-day con-

#### Number of Students at FFIEC Courses, by Agency, 1992

Course	FDIC	OCC	FRB	OTS	NCUA	FCA	Other	Total
Conducting Meetings with Management	2	...	12	25	6	...	...	45
EDP Symposium	2	2	2	4	...	...	1	11
Info Systems & Technology	35	52	44	16	...	2	2	151
Instructor Training	84	47	41	2	...	4	...	178
International Banking	23	24	44	...	...	...	1	92
Management Workshop	246	125	105	91	6	10	2	585
Testifying	44	11	12	13	...	...	...	80
Emerging Issues	24	86	32	...	...	13	...	155
Income Property Lending	312	106	84	11	13	11	...	537
Off-Balance-Sheet Risk	261	95	122	27	12	44	8	569
International Banking Conference	19	35	29	...	...	1	...	84
Trust	40	84	35	5	...	...	5	169
White-Collar Crime	290	69	258	54	20	23	2	716
International Banking Self-Study	70	35	543	1	...	10	...	659
Payment Systems Risk	16	37	53	2	1	1	2	112
<b>Total</b>	<b>1,484</b>	<b>845</b>	<b>1,439</b>	<b>253</b>	<b>59</b>	<b>121</b>	<b>24</b>	<b>4,143</b>

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**FFIEC Training: Number of Sessions and Total Enrollment, 1979-92**

Year	Number of Sessions	Total Enrollment
1979	6	120
1980	62	1,350
1981	85	1,702
1982	83	1,622
1983	88	1,816
1984	80	1,799
1985	81	1,842
1986	102	2,296
1987	126	3,446
1988	107	3,174
1989	90	2,784
1990	110	3,780
1991	84	3,153
1992	85	4,143
<b>Total</b>	<b>1,189</b>	<b>33,027</b>

**Risk Management Planning**

1990	1	Bankers	110
		Examiners	0
1991	3	Bankers	411
		Examiners	17
1992	3	Bankers	637
		Examiners	53
<b>Total</b>	<b>1,196</b>		<b>34,255</b>

ference will be conducted. The following will be among the topics:

- The New Thrust toward Regulatory Uniformity
- A Banker's View of Emerging Issues
- Implementing the New Appraisal Regulations
- Risk-based Capital and FDICIA
- Directors' and Officers' Civil Liabilities
- Problem-Loan Accounting
- Mutual Fund Alternatives for Banks
- Mortgage Securities Update
- Mortgage Servicing Rights

- Update on Interest Rate Risk Management
- Evaluating the Newly Merged Institution
- Globalization of White-Collar Crime
- Six Hot New Bank Scams

*Income Property Lending*

This conference presents analytical techniques to equip examiners with the skills needed to assess the assumptions built into real estate market studies, feasibility studies, and appraisals. It emphasizes appraisal analysis, construction lending, construction loan disbursements, workout situations, and problem solving. Topics change from time to time, but sessions have frequently included real estate law and environmental issues. The conference is open only to commissioned examiners who have considerable involvement with commercial real estate lending. Conference length may vary but is generally three and one-half days. Most attendees are assumed to have had a basic course in real estate finance or appraisal.

*Information Systems and Technology*

The Information Systems and Technology Conference is designed to update senior data-processing examiners on current developments in data processing, software, systems development, security controls, telecommunications, networks, auditing, computer fraud, switches, data center operations, and many other topics. The conference features guest speakers who are recognized authorities in their fields. Topics vary from session to session. One session, which ran for four and one-half days, was conducted in 1992, and another will be conducted in 1993.

*International Banking*

The International Banking Conference is a three-day, advanced program dealing with international

credit, legislative and regulatory issues, and recent international-banking innovations. Speakers are leading international bankers and senior staff members of the banking regulatory agencies. The conference is designed for those specialized examiners who have ongoing responsibilities in the international banking or financial arenas. This conference is conducted as needed.

*Off-Balance-Sheet Risk*

The purpose of this conference is to improve examiners' understanding of the incentives for and implications of financial institutions' off-balance-sheet activities. Risk assessment of standby letters of credit, loan commitments, financial futures and options, foreign exchange, interest rate swaps, and a wide range of other capital-market products is emphasized. This three and one-half-day conference is intended for senior field examiners who need to learn more about the risks associated with off-balance-sheet activities.

*Payment Systems Risk*

This conference improves examiners' understanding of the risks involved in payment systems, the methods used to minimize these risks, and the means of evaluating these risks in the examination process. Topics include functions of payment/settlement/message systems, risks associated with wire transfers, risks associated with daylight overdrafts, legal considerations, and potential insurance risks. The program is designed for field examiners who need a greater understanding of the risks associated with payment systems. To facilitate attendance at both conferences, some sessions of Payment Systems Risk are conducted immediately after an Off-Balance-Sheet Risk conference.

*Trust*

The Trust Conference emphasizes new initiatives affecting trust bank-

ing. Topics vary from session to session, and the sessions feature guest speakers who are recognized leaders in the trust industry.

Attendance is limited to senior examination personnel who specialize in fiduciary activities. Topics covered in the 1992 session were ESOP activity and trends, the role of the trustee and bond holder in defaults, Department of Labor regulatory and enforcement update, control and compliance issues in trust cash management, auditing, portfolio management, environmental liability affecting trustees, securities lending, and contingency and disaster recovery planning in the trust department.

#### *White Collar Crime*

This one-week conference became an interagency project as a result of the agencies' increased emphasis on detection of fraud and insider abuse. It is generally attended by senior examiners, although it is open to any examiner with at least two years' examining experience. It covers major types of fraudulent activity and insider abuse, including real estate fraud, investment-securities fraud, computer fraud, and money laundering and the

Bank Secrecy Act. Detection and investigation techniques are stressed. Red flags signaling institutional and individual types of fraud are discussed. Each attendee gains familiarity with the relevant criminal statutes as well as the preservation of evidence, interviewing, testifying, and working with the Federal Bureau of Investigation. Cooperation between outside auditors and examiners and the prevention of fraud are also important considerations. Numerous sessions are conducted each year, and four regional sessions were conducted in 1992.

#### Course Catalogue and Schedule

A course catalogue and schedule are available from the Council training office:

FFIEC Examiner Education  
3501 Fairfax Drive  
Room 3086  
Arlington, Virginia 22226-3550

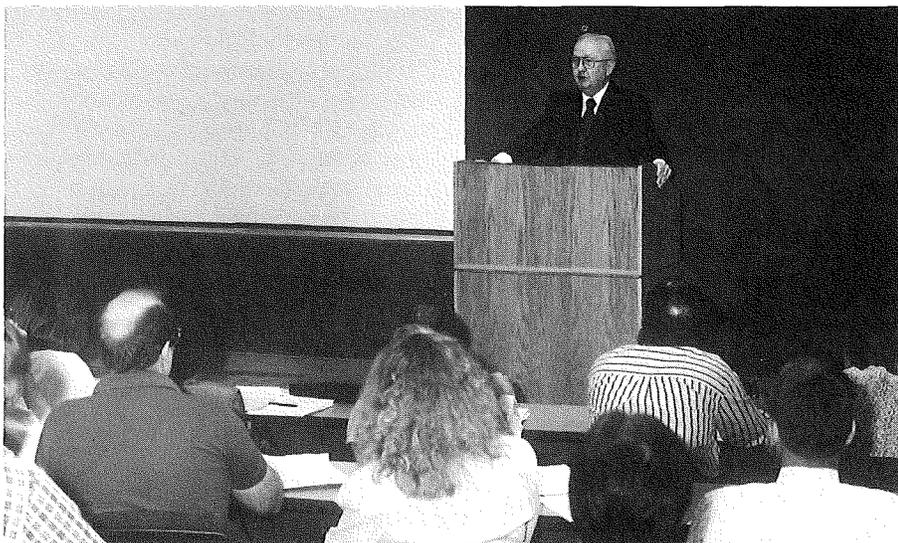
#### Task Force on Reports

Section 1006(c) of Public Law 95-630 requires the Council to develop uniform reporting systems for federally supervised financial institu-

tions and their holding companies and subsidiaries. To meet this objective, the Council established the Task Force on Reports, which has also received other responsibilities related to the development of interagency uniformity in the reporting of periodic information needed for effective supervision. The task force is thus concerned with such issues as the development and interpretation of reporting instructions; the application of accounting standards to specific transactions; the publication and distribution of reports; the development and application of processing standards; the monitoring of data quality; the assessment of reporting burden; and the liaison with other organizations, including the Securities and Exchange Commission, the Financial Accounting Standards Board, and the American Institute of Certified Public Accountants. The task force is also responsible for any special projects related to these subjects that the Council may assign. To help it carry out its responsibilities, the task force has established a subcommittee on instructions and accounting standards and another on edits for the Call Reports filed by commercial banks and FDIC-supervised savings banks. Working groups are also organized as needed to handle reporting, instructional, and processing matters of a specialized or technical nature.

#### Activities of the Task Force

During 1992, the task force's activities were devoted primarily to the implementation of certain reporting-related provisions of FDICIA and to other matters affecting the Call Reports and the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks. The task force, in conjunction with the Task Force on Supervision, also considered the appropriate regulatory reporting and capital treatment of deferred tax assets in light of a new accounting standard on accounting for income taxes.



FDIC's C.C. Hope addressing the FFIEC White Collar Crime Conference

In October 1991, the Council requested public comment on a proposed timetable under which banks would be required to submit their Call Reports electronically to the banking agencies in lieu of filing hard-copy (paper) report forms. The proposed timetable called for banks with assets of more than \$100 million to submit their Call Reports electronically as of March 31, 1992; banks with assets of \$50 million or more to do so one year later; and the remaining banks to begin filing electronically as of March 31, 1994. After the task force's review of the more than 120 comment letters received on the proposal, the Council agreed with the task force's conclusion that further study of the costs and benefits of the proposed electronic submission requirement and of alternative approaches suggested by commenters was warranted. Accordingly, at its January 28, 1992, meeting, the Council approved the withdrawal of the proposed electronic submission timetable.

During late 1991, the bank and thrift regulatory agencies began to consider whether to lower the risk weight from 100 percent to 50 percent for certain loans made to builders for the construction of one-to-four-family residences that were presold to purchasers who had firm commitments for permanent financing. After these interagency discussions had begun, Section 618(a) of the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991, enacted in December 1991, required the agencies to amend their risk-based capital standards to lower the risk weight for these presold residential construction loans. Because the risk-based capital guidelines of the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve Board (FRB) established a 50 percent risk weight to one-to-four-family residential mortgages (as defined in the Call Report instructions) that meet certain criteria, revising the Call Report defini-

tion of one-to-four-family residential mortgages to include these presold residential construction loans would, for those two agencies, effectively lower their risk weighting. On the other hand, the Office of the Comptroller of the Currency and the Office of Thrift Supervision could not avail themselves of this approach for changing the risk weighting. At its January 28, 1992, meeting, the Council agreed to seek public comment on the proposed definitional change. Based on the forty-one comments received and further discussion among the agencies, the FDIC and FRB staffs concluded that it would be preferable to amend their risk-based capital guidelines than to revise the Call Report instructions.

After approval by the Office of Management and Budget, a few revisions to the Call Report that had been approved by the task force under delegated authority in December 1991 took effect as of March 31, 1992. The reporting revisions cover holdings of foreclosed real estate by type of property, the volume of residential mortgages serviced for others by type of servicing contract, the amortized cost of purchased credit card relationships, floating-rate debt securities maturing within one year, and certain data for deposit insurance assessments.

Section 122 of FDICIA requires the federal banking and thrift agencies to collect annually from insured depository institutions in their reports of condition the information on small business and small farm lending that the agencies may need to assess the availability of credit to these sectors of the economy. Also, Section 477 of FDICIA requires the FRB to collect and publish, on an annual basis, information on the availability of credit to small businesses. During the first and second quarters of 1992, the task force developed proposed reporting requirements for banks, savings associations, and U.S. branches and agencies of foreign banks that would implement Section 122 and

might assist the FRB in fulfilling the requirements of Section 477. At its May 12, 1992, meeting, the Council approved the publication of the proposed reporting requirements for a thirty-day public comment period. After considering the 575 comments received on the proposal and other information, the task force significantly revised the proposal. The task force's recommended final reporting requirements were approved by the Council on October 15, 1992. Under the final reporting requirements, insured depository institutions must report the number and amount of outstanding loans to small businesses and small farms in terms of the original loan amount—not, as had been proposed, in terms of the borrower's annual sales. Another difference from the proposal is that, under the final requirements, no income or charge-off data will be collected on these loans. The new annual reporting requirements for small business and small farm lending data take effect with the reports of condition for June 30, 1993.

On May 22, 1992, the Council issued a policy statement concerning the frequency and timing of changes in regulatory reporting requirements that had been developed by the task force and approved under delegated authority. The policy statement applies to the Call Report, the Thrift Financial Report (TFR) filed by savings associations, the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (Branch and Agency Call Report) filed by these branches and agencies, and the Foreign Branch Report of Condition filed by U.S. bank branches located in a foreign country, Puerto Rico, or a U.S. territory or possession. Under this advance-notification policy, subject to certain exceptions, the federal banking and thrift agencies will announce before the end of each year all reporting changes that will take effect in the following year. This announcement will ensure that depository institu-

tions have at least ninety days' notice of changes in their regulatory reporting requirements and will thereby lessen the regulatory burden that such changes often impose on them.

The banking agencies announced in February 1992 their intention to phase out the supervisory definition of highly leveraged transactions (HLTs) and to discontinue the reporting of HLTs by banking organizations after June 30, 1992. The agencies decided to phase out this definition after they determined that it had largely accomplished its original purposes, such as encouraging financial institutions to focus on the need for internal controls and to review mechanisms for monitoring these types of transactions. On July 28, 1992, the Council approved the task force's recommendation to eliminate the schedule on HLTs from the Call Report and the Branch and Agency Call Report as of the September 30, 1992, report date.

In February 1992, the Financial Accounting Standards Board (FASB) issued a new standard on accounting for income taxes, FASB Statement No. 109. Under this new standard, net deferred tax assets may include amounts that were not recognizable under generally accepted accounting principles in the past, thereby increasing the reported amount of an institution's capital. Because the realizability of deferred tax assets is in some cases dependent upon future taxable income, the reporting of net deferred tax assets in regulatory reports in accordance with Statement No. 109 raises supervisory concerns. As a consequence, the federal banking and thrift agencies issued separate letters in March 1992 to the depository institutions under their supervision, generally indicating that institutions should not adopt Statement No. 109 for regulatory reporting purposes until the appropriate regulatory reporting and capital treatment of deferred tax assets had been determined. On July 28, 1992, the Council approved the issuance of a request

for comment on possible regulatory treatments of deferred tax assets that had been developed under the auspices of the Task Forces on Reports and Supervision. The Council received about 200 comment letters in response to this request. Following the evaluation of these comments and interagency discussions, the Council decided on December 8, 1992, that banks and savings associations should report deferred tax assets in accordance with generally accepted accounting principles beginning in 1993, with earlier application permitted subject to certain limitations. The Council also recommended that the banking and thrift agencies amend their regulatory capital standards to limit the amount of deferred tax assets that may be used to meet regulatory capital requirements.

Various sections of FDICIA require insured depository institutions to report in their regulatory reports data on off-balance-sheet items, deposits in lifeline accounts, preferred deposits, and insured and uninsured deposits. Other provisions of FDICIA placed additional restrictions and prohibitions on the acceptance of brokered deposits and brought directors and their related interests within the scope of certain insider lending limits. At its July 28, 1992, meeting, the Council advised the task force that, consistent with the newly adopted policy statement on changes in regulatory reporting requirements, any revisions to the Call Report, TFR, and Branch and Agency Call Report necessitated by FDICIA should be implemented in the reports for the first quarter of 1993. During the fourth quarter of 1992, the task force finalized these FDICIA-related regulatory reporting changes and, acting under delegated authority, adopted three other revisions to the bank Call Report. These additional revisions relate to deferred tax assets that exceed the limit on such assets for regulatory capital purposes, intangible assets that are grandfathered and not de-

ducted for regulatory capital purposes, and past due and nonaccrual loans and leases that are partially or wholly guaranteed by the U.S. government.

During the fourth quarter of 1991, the task force approved under delegated authority the addition of a new supplement to the Branch and Agency Call Report to collect information on assets and liabilities of any non-U.S. branch that is managed or controlled by a U.S. branch or agency of a foreign bank. The transactions of these offshore branches are often largely with U.S. residents, but no statistical data has been available on them. Public comment was solicited in December 1991 on the proposed supplement, which would be used to obtain improved data for supervision and for the analysis of U.S. credit and deposit flows and international indebtedness. The issues raised by commenters were addressed during 1992; and in November the task force adopted, under delegated authority, a final version of the supplement that had been prepared by the FRB staff. The supplement has been approved by the Office of Management and Budget for implementation as of March 31, 1993.

Section 121 of FDICIA requires the federal banking and thrift agencies to develop jointly a method for insured depository institutions to provide supplemental disclosure of the estimated fair market value of assets and liabilities, to the extent feasible and practicable, in reports that insured depository institutions file with the agencies. During the third and fourth quarters of 1992, an interagency staff working group developed jointly, under the auspices of the task force, a reporting schedule (and related instructions) that would serve as the method by which insured banks, insured savings associations, and insured U.S. branches of foreign banks could provide supplemental disclosure of the estimated fair values of their on- and off-balance-sheet assets and liabilities in their regulatory re-

ports. The task force presented this jointly developed reporting schedule to the Council at its December 8, 1992, meeting and received the Council's approval to request public comment on this supplemental disclosure method. The *Federal Register* notice drafted by the task force to solicit comment on the reporting schedule will be published in early 1993 upon approval by the Council.

### Task Force on Supervision

The jurisdiction of the Task Force on Supervision includes all matters relating to the supervision and examination of depository institutions. The goal of the task force is to improve the quality and effectiveness of all aspects of the supervisory process. Significant issues are referred, with recommendations, to the Council for action. The Council has delegated authority to the task force to make other decisions, provided all members of the task force are in agreement.

Task force members are the senior supervisory officials of the constituent agencies. Meetings are held periodically to address and resolve common supervisory issues. The task force has a standing subcommittee to address electronic-data-processing (EDP) issues. Ad hoc working groups are created as needed to handle particular projects and assignments.

### Activities of the Task Force

During 1992, the task force and its working groups were involved in a number of projects. The standing subcommittee produced several products, and the ad hoc subcommittees, which are formed to deal with specific issues, were also active.

The subcommittee on EDP was officially established in 1979. The subcommittee sponsors symposiums, maintains the FFIEC EDP Examination Handbook, coordinates the

Shared Application Software Review (SASR) program, and manages the examination of Multiregional Data Processing Servicicers (MDPS). Each year, the subcommittee also sponsors a conference on information systems and technology. The June 1992 conference focused on current developments in EDP and featured nationally recognized experts as speakers.

In 1992, twelve MDPS examinations were conducted of service bureaus that provide data processing to approximately 8,000 financial institutions. Four SASR reviews of turn-key software products were also conducted. In September, the subcommittee held a symposium on the risks associated with electronic document imaging systems. A revised FFIEC EDP Examination Handbook was distributed in January 1992; changes included an update of the section on the funds transfer system, a revision of the policy on interagency EDP examination scheduling and report distribution, a new examination work program, and revisions of other agency EDP-related policies.

During the year the task force developed a proposed policy addressing the regulatory reporting of deferred tax assets. This policy states that federally supervised banks and savings associations should report such assets in accordance with generally accepted accounting principals as described in the Financial Accounting Standards Board's Statement No. 109. The policy statement, however, placed certain limitations on the amount of deferred tax assets allowable in computing an institution's regulatory capital. The policy statement was published for public comment in August, and the Council approved it in December.

Work continues in several other areas. A working group is reviewing the agencies' existing policies on the determination of adequate allowances for loan and lease losses. The objective of this project is to

determine whether more definite and consistent guidance should be issued to examiners and depository institutions. The working group formed in mid-1991 to develop capital rules for recourse transactions that are consistent among the agencies is continuing its efforts. Another working group was formed in June 1992 to examine the feasibility of developing capital standards for trust operations.

### Task Force on Surveillance Systems

The Task Force on Surveillance Systems oversees the development and implementation of uniform interagency surveillance and monitoring systems. Historically, the task force's primary objective has been to develop and produce the Uniform Bank Performance Report (UBPR). This report is an analytical tool created for supervisory purposes. It is used in monitoring the condition and performance of banking institutions on a quarterly basis and in identifying potential or emerging problems in those financial institutions. A UBPR is produced quarterly for each commercial bank and insured savings bank in the United States that is supervised by the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, or the Office of the Comptroller of the Currency.

### Activities of the Task Force

During 1992, the Surveillance Task Force and Surveillance Working Group completed the following projects:

- Expanded the analyses of loan charge-offs and of loan mix to incorporate new data collected through the Call Report. With the new detail on losses and portfolio mix by loan category, the presentation is now consistent with the presentation of data on past-due loans in the

UBPR. Details on real estate loans by type, on credit card loans, on loans to foreign governments, and on lease financing are now available.

- Updated risk-based capital in the UBPR to incorporate changes in the calculation process. Most banks are not required to report detailed data on risk-based capital. For those banks, a method of estimation based on that used for FDIC risk-based premium assessments was added to the UBPR system. Currently estimated data on risk-based capital is provided only in electronic form to the banking supervisors.
- Updated the interagency memorandum of understanding that defines the banking agencies' responsibilities and cost-sharing for development and production of the UBPR. One of the changes to the memorandum formalizes the current practice of providing state bank supervisors with UBPR data in electronic form. In December, the Council approved the revised memorandum, which is effective until 1996.
- Produced and distributed four quarterly versions of the UBPR. Each banking agency received UBPR data in electronic form. Also, printed reports were sent to all banks. More than 9,000 copies of UBPRs on individual banks were provided to the general public.
- Distributed one supplement to the UBPR Users Guide to the regulatory agencies and banks. The supplement covered expanded information on loan loss and loan mix as well as changes to the definition of temporary investments.

Besides the projects above, the task force established a separate Data Exchange Working Group. The working group is charged with reviewing and standardizing the way in which supervisory, structural, and financial data are exchanged among the agencies. The group has begun reviewing the practices in exchanging supervisory data.

For 1993, six projects are planned that should further improve the UBPR:

- Revise the treatment of capital by consolidating two sections and eliminating redundant or unneeded information
- Enhance the UBPR treatment of interest rate sensitivity by incorporating data on duration analysis to be collected for purposes of risk-based capital
- Review and modify the calculation of tax equivalency in the UBPR
- Rewrite the UBPR Users Guide to incorporate all previous updates
- Review and consider redefining current definitions of peer groups
- Develop new end-user reports from existing UBPR data.

The UBPR is primarily a supervisory tool for the three federal banking agencies, but others also use it extensively. Copies of it are routinely distributed to banks and state banking agencies as described below in the distribution policy. Besides the 9,000 UBPRs distributed in printed form, UBPR data in electronic form go to several institutions.

The goal of the task force continues to be to ensure timely production and distribution of UBPRs and related data. The following distribution policy will continue:

- Each insured bank will receive one copy of the current UBPR per quarter.
- UBPR data will be provided to each federal banking agency each quarter.
- Two copies of the UBPRs will be made available to state bank supervisors for banks in their state. Alternatively, the printed reports may be requested in tape form.
- State banking agencies may also purchase UBPR data files in electronic form.
- UBPRs and Call Report data will be made available to the public for a fee.

The general public may purchase copies of UBPRs for \$40.00 each. A user's guide, which describes the content of the report and defines ratio calculations, is available for \$25.00. The peer group report, showing average ratios for all peer groups, is available for \$60.00. The State Average Report is available for \$40.00. The Peer Group Report and the State Average Percentile Distribution Report are available for \$60.00 and \$40.00 respectively. Standardized UBPR quarterly data on magnetic tape are available for a charge of \$400.00. Information on ordering items may be obtained by calling (202) 634-6526 or by writing the Council at the following address:

Federal Financial Institutions  
Examination Council  
2100 Pennsylvania Avenue, NW,  
Suite 200  
Washington, DC 20037

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# THE FEDERAL FINANCIAL INSTITUTIONS REGULATORY AGENCIES AND THEIR SUPERVISED INSTITUTIONS

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The five federal regulatory agencies represented on the Council have primary federal supervisory jurisdiction over about 27,400 domestically chartered banks, thrift institutions, and credit unions. On June 30, 1992, these financial institutions held total assets of more than \$5.4 trillion. The Board of Governors of the Federal Reserve System (FRB) and the Office of Thrift Supervision (OTS) also have primary federal supervisory responsibility for commercial bank holding companies and for savings and loan holding companies respectively.

The three banking agencies on the Council have authority to oversee the operations of U.S. branches and agencies of foreign banks. The International Banking Act of 1978 authorizes the Office of the Comptroller of the Currency (OCC) to license federal branches and agencies of foreign banks and permits U.S. branches to apply for insurance with the Federal Deposit Insurance Corporation (FDIC). It also subjects those U.S. offices to many provisions of the Federal Reserve and Bank Holding Company Acts. The act gives primary examining authority to the OCC, the FDIC, and the various state authorities for the offices within their jurisdictions and gives residual examining authority over all U.S. banking operations of foreign banks to the FRB.

## **The Board of Governors of the Federal Reserve System**

The FRB was established in 1913. It is headed by a seven-member board of governors. Each member is appointed by the President, with the advice and consent of the Senate, for a fourteen-year term. Subject to confirmation by the Senate, the President selects two board members to serve four-year terms

as Chairman and Vice Chairman. The FRB's activities that are most relevant to the work of the Council are the following:

- Examines, supervises, and regulates state member banks, bank holding companies, and Edge and agreement corporations
- Approves or denies applications for mergers, acquisitions, and changes in control by state member banks and bank holding companies
- Approves or denies applications for foreign operations of member banks
- Supervises U.S. offices of foreign banks.

Policy decisions are implemented by the FRB and by the twelve Federal Reserve Banks, each of which has operational responsibility within a specific geographical area. Each Reserve Bank has a president and other officers and employs a staff of bank examiners who examine state member banks and inspect bank holding companies located within the Reserve Bank's District. All national banks must be members of the Federal Reserve System. State-chartered banks may apply and be accepted for membership.

Funding for the Reserve Banks is derived from interest received on Treasury and federal-agency securities held as assets by the Reserve Banks. The funds for these investments are derived partially from non-interest-earning reserves that member banks and other depository institutions are required to hold at the Reserve Banks and partially from non-interest-bearing Federal Reserve notes (currency) issued by the Reserve Banks. The Reserve Banks pay assessments, which are used to meet the FRB's expenses.

## **The Federal Deposit Insurance Corporation**

The Congress created the FDIC in 1933 with a mission to insure bank deposits and reduce the economic disruptions caused by bank failures. Management of the FDIC is vested in a Board of Directors. Three of the directors are appointed by the President, with the advice and consent of the Senate, for six-year terms. One of these three is designated by the President as Chairman for a term of five years and another is designated as Vice Chairman. The other two Board members are the Comptroller of the Currency and the Director of the Office of Thrift Supervision. After February 28, 1993, no more than three Board members may be of the same political party.

The FDIC's supervisory activity is organized into eight regions, each of which is headed by a regional director. Bank liquidation activities are divided among four regions, each of which is also headed by a regional director.

The FDIC administers two federal deposit insurance funds, the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF). The basic insured amount for a depositor is \$100,000 at each insured financial institution. The BIF is funded through assessments paid by insured commercial banks, certain federal and state savings banks, and industrial banks, as well as through income from investments in U.S. government securities. The SAIF, which was created in 1989 as a successor to the former Federal Savings and Loan Insurance Corporation, receives assessment premiums from insured savings associations. The FDIC sets assessment rates, which have historically been fixed at the same rate

for all institutions insured by BIF and likewise similar rates for all institutions insured by SAIF. The FDIC has established a risk-based assessment system for all depository institutions insured by BIF or SAIF as required under the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA). This new assessment system is effective beginning January 1, 1993.

Administrative and supervisory expenses of the FDIC are charged to the BIF or to the SAIF as appropriate; however, the administrative and supervisory expenses applicable to SAIF-insured institutions will be paid by the FSLIC Resolution Fund through 1992. The Secretary of the Treasury will provide sufficient amounts for the SAIF to meet its obligations in the event of a shortfall between assessment income and expenses for 1993 through 2000. Also, the FDIC's authority to borrow from the U.S. Treasury has been increased by FDICIA to \$30 billion for the use of both funds. The FDIC has the authority to impose special assessments to provide sufficient income to repay borrowings from the Treasury if it determines that such assessments are necessary.

Any depository institution that is engaged in the business of receiving deposits may be insured by the FDIC after application to, examination by, and approval of the FDIC. After considering the financial history and condition of an applicant, its capital adequacy, prospects for future earnings, management, risk to the insurance fund, and needs of the community, the FDIC may approve or deny an application for insurance. This approval authority has been expanded by the FDICIA and extends to national banks; all state-chartered banks, including those that are members of the Federal Reserve System; and federal and state-chartered savings associations.

The FDIC has primary regulatory and supervisory authority over in-

sured state chartered banks that are not members of the Federal Reserve System; however, it has the authority to examine any insured financial institution, either directly or in cooperation with state or other federal supervisory authorities. The FDICIA gives the FDIC back-up enforcement authority over all insured institutions, that is, the FDIC can recommend that the appropriate federal agency take action against an insured institution and may do so itself if the primary supervisory agency fails to do so. The FDIC's supervisory authority has been expanded to permit it to prohibit insured state-chartered banks from engaging in any activity impermissible for a national bank if it determines that the activity would pose a significant risk to the BIF or if the institution is not in compliance with capital standards. The FDIC may also prohibit activities that pose a serious threat to the SAIF and may limit powers of state-chartered savings associations to those permitted for a federal savings association. The FDIC has, in consultation with other federal supervisory agencies, established minimum capital levels below which institutions are deemed to be "critically undercapitalized." Such institutions are subject to restrictions on their activities if corrective measures are deemed insufficient.

In protecting insured deposits, the FDIC is charged with resolving the problems of insured depository institutions at the least possible cost to the deposit insurance fund. In carrying out this responsibility, the FDIC engages in several activities, including deposit payoffs, arranging the purchase of assets and assumption of liabilities of failed institutions, effecting insured deposit transfers between institutions, providing open institution assistance, creating and operating temporary bridge banks until a resolution can be accomplished, and using its conservatorship powers.

The FDICIA relieved the FDIC of its management responsibilities for

the Resolution Trust Company, the agency charged through September 30, 1993, with resolving failure cases involving institutions that were formerly insured by the FSLIC. The FDIC Chairman is a member of the Thrift Depositor Protection Board, which oversees RTC operations, and RTC employees are on assignment from the FDIC.

### **The National Credit Union Administration**

The NCUA, established by an act of the Congress in 1934, is the agency that heads the nation's federal credit union system. A three-member bipartisan board appointed by the President for six-year terms manages the NCUA. The President also selects a member to serve as Chairman of the board.

The main responsibilities of the NCUA are the following:

- It charters, examines, and supervises nearly 8,500 federal credit unions nationwide.
- It administers the National Credit Union Share Insurance Fund (NCUSIF), which insures 97 percent of member share accounts in nearly 13,000 of the country's federal and state-chartered credit unions.
- It manages the Central Liquidity Facility, a central bank for credit unions that provides financial stability to the credit union system.

The NCUA also has statutory authority to examine and supervise NCUSIF-insured, state-chartered credit unions in coordination with state agencies.

NCUA has six regional offices across the country that administer its responsibility to charter and supervise credit unions. Its examiners conduct annual, on-site examinations of each federal credit union. Tax dollars do not fund NCUA; it is supported by the credit unions it regulates and insures.

## **The Office of the Comptroller of the Currency**

The OCC is the oldest federal regulatory agency, having been established as a bureau of the Treasury Department by the National Currency Act of 1863. It is headed by the Comptroller, who is appointed to a five-year term by the President, with the advice and consent of the Senate. The Comptroller also serves as a director of the FDIC and is director of the Neighborhood Reinvestment Corporation.

The OCC is the regulator and supervisor of the national banking system. As such, it currently regulates and supervises about 3,700 national banks, with total assets of about \$2.0 trillion, representing about 58 percent of the total assets of all U.S. commercial banks. It is the only federal banking agency with authority to charter commercial banks. It shapes the structure of the national banking system through its authority to approve or deny applications for new bank charters, for the establishment of branches, and for mergers of national banks.

The national interest requires that the United States have a safe and stable financial system that preserves public confidence and makes available a wide variety of financial services in a competitive marketplace. The OCC serves this interest by maintaining and promoting a system of bank supervision and regulation that accomplishes the following:

- Promotes safety and soundness by requiring that national banks adhere to sound management principles and comply with the law
- Encourages banks to satisfy customer and community needs while remaining efficient competitors in the financial-services markets.

The principal supervisory tools of the OCC are on-site examination activities and ongoing analysis of

national bank operations. As appropriate, the OCC issues rules and regulations concerning bank lending, bank investment, and other aspects of bank operations.

The OCC is organized geographically into six districts, each headed by a Deputy Comptroller. The agency is funded through assessments on the assets of national banks and by fees charged for corporate applications.

## **Office of Thrift Supervision**

OTS was established as a bureau of the Treasury Department in August 1989 and became operational in October 1989 as part of a major reorganization of the regulatory structure for thrift institutions mandated by the FIRREA. In that act, the Congress gave OTS authority to charter federal thrift institutions and serve as the primary regulator of the approximately 2,000 federal and state-chartered thrift institutions belonging to the SAIF. OTS carries out this responsibility by adopting regulations governing the savings and loan industry, by examining and supervising thrift institutions and their affiliates, and by taking whatever action is necessary to enforce their compliance with federal law and regulations. Besides overseeing thrift institutions, the OTS also regulates, examines, and supervises holding companies that own thrift institutions and controls their acquisition of thrift institutions.

The OTS is headed by a Director appointed by the President and confirmed by the Senate to serve a five-year term. The OTS Director also serves on the boards of the FDIC and the RTC and is also a Director of the Neighborhood Reinvestment Corporation.

To carry out its mission, the OTS is organized into five main divisions:

- Washington Operations includes supervisory operations, policy, information resources management, and the administration

program areas of OTS. This division develops national policy guidelines to enhance statutes and regulations, establishes programs to implement new policies and laws, develops and maintains surveillance systems that monitor the condition of the industry and assist in identifying emerging supervisory problem areas, develops and maintains financial management and information systems, maintains human resources programs, processes thrift institution applications, provides special supervision of selected thrift institutions, and performs other related functions.

- Regional Operations conducts the examination and supervision of thrift institutions in the five OTS regions to ensure the safety and soundness of the industry. It also oversees the training and development of federal thrift regulators through accredited programs. The regional offices are headquartered in Jersey City, Atlanta, Chicago, Dallas, and San Francisco.
- The Chief Counsel provides a full range of legal services to the agency, including drafting regulations, representing the agency in court, and taking enforcement actions against savings institutions that violate laws or regulations. This office also processes corporate filings required by the Securities and Exchange Act of 1934.
- Congressional Affairs interacts with members of the Congress, congressional staff members, and committee members on behalf of OTS as well as executive-level personnel at other federal agencies to accomplish the legislative objectives of the agency. This division disseminates information to the Congress pertaining to supervisory, regulatory, and enforcement activities and policies of the OTS and manages congressional-liaison programs.

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- Public Affairs oversees the release of information concerning OTS regulations, policies, and key developments within the agency. It convenes press conferences and distributes news releases to the public. It communicates and explains policy directives, objectives, and actions of the agency by establishing and maintaining effective liaisons with the media, the general public, the thrift indus-

try, all government agencies, and other key constituencies.

This division provides a full range of audiovisual services, including creation of original designs for agency publications, graphics, desktop publishing, and editorial and production assistance. The division also maintains an archive of business records and documented actions of OTS and its predecessor, the

Federal Home Loan Bank Board; responds to Freedom of Information Act requests; and maintains a public reference room for viewing securities filings and other public documents.

The OTS is a nonappropriated agency and thus uses no tax money to fund its operations. Its expenses are met by fees and assessments on the thrift institutions it regulates.

ASSETS, LIABILITIES, AND NET WORTH of U.S. Commercial Banks and Thrift Institutions as of June 30, 1992<sup>1</sup>  
Billions of dollars

Item	Total	U.S. Commercial Banks <sup>2</sup>			U.S. Branches and Agencies of Foreign Banks	BIF-Insured Savings Banks	SAIF-Insured Institutions			Credit Unions <sup>3</sup>	
		National	State Member	State Non-Member			Savings and Loan Associations		Savings Banks	Federal Charter	State Charter
							Federal Charter	State Charter			
<b>Total assets</b>	<b>5,433</b>	<b>1,975</b>	<b>612</b>	<b>851</b>	<b>707</b>	<b>203</b>	<b>181</b>	<b>124</b>	<b>534</b>	<b>156</b>	<b>90</b>
Total loans and lease receivables (net)	3,249	1,198	313	501	309	130	141	97	428	84	48
Loans secured by real estate <sup>4</sup>	1,702	501	101	256	55	118	137	92	394	31	17
Consumer loans <sup>5</sup>	504	227	44	108	*	6	5	2	27	54	31
Commercial and industrial loans	737	339	104	104	170	5	1	1	11	1	1
All other loans and lease receivables <sup>6</sup>	370	166	74	45	84	1	†	†	†	*	*
LESS: Allowance for possible loan and lease losses	68	35	10	12	*	2	1	1	5	1	1
Federal funds sold and securities purchased under agreements to resell	191	88	27	34	28	5	2	2	4	1	*
Cash and due from depository institutions <sup>7</sup>	455	169	53	54	157	5	2	1	8	4	2
Securities and other obligations <sup>8</sup>	1,040	375	126	220	71	54	25	17	53	63	36
U.S. government obligations <sup>9</sup>	711	302	93	174	37	39	9	6	15	23	13
Obligations of state and local governments <sup>10</sup>	72	33	12	26	*	1	*	*	*	‡	‡
Other securities	258	40	21	20	34	14	16	11	38	40	24
Other assets <sup>11</sup>	499	145	93	41	142	11	11	7	41	5	3
<b>Total liabilities</b>	<b>5,095</b>	<b>1,838</b>	<b>573</b>	<b>778</b>	<b>707</b>	<b>187</b>	<b>169</b>	<b>116</b>	<b>501</b>	<b>144</b>	<b>82</b>
Total deposits and shares <sup>12</sup>	4,056	1,542	415	698	341	173	138	104	423	141	81
Federal funds purchased and securities sold under agreements to repurchase	352	136	55	38	98	4	6	2	12	1	*
Other borrowings <sup>13</sup>	401	102	60	29	117	8	22	7	55	1	*
Other liabilities <sup>14</sup>	286	58	43	13	151	2	4	2	11	1	1
<b>Net worth<sup>15</sup></b>	<b>340</b>	<b>137</b>	<b>39</b>	<b>73</b>	<b>*</b>	<b>16</b>	<b>12</b>	<b>9</b>	<b>34</b>	<b>12</b>	<b>8</b>
Memorandum: Number of institutions reporting	27,489	3,697	950	7,028	592	446	563	667	783	8,075	4,688

**Symbols Appearing in Tables**

- \* = Less than \$500 million
- † = Not available separately
- ‡ = Not applicable

**Footnotes to Tables**

1. The tables cover institutions, including those in Puerto Rico and U.S. territories and possessions, insured by the FDIC or NCUSIF. All branches and agencies of foreign banks in the United States, but excluding any in Puerto Rico and U.S. territories and possessions, are included whether or not insured. The tables exclude Edge Act and Agreement Corporations that are not subsidiaries of U.S. commercial banks.
2. Reflects the fully consolidated statements of FDIC-insured U.S. banks—including

their foreign branches, foreign subsidiaries, branches in Puerto Rico and U.S. territories and possessions, and FDIC-insured banks in Puerto Rico and U.S. territories and possessions. Excludes bank holding companies.

3. The credit union data are for federally insured credit unions only.
4. Loans secured by residential property, commercial property, farmland (including improvements), and unimproved land, and construction loans secured by real estate. For SAIF-insured institutions, also includes mortgage-backed securities.
5. Loans, except those secured by real estate, to individuals for household, family, and other personal expenditures, including both installment and single-payment loans. Net of unearned income on installment loans.

6. Loans to financial institutions, loans for purchasing or carrying securities, loans to finance agricultural production and other loans to farmers (except loans secured by real estate), loans to states and political subdivisions and public authorities, and miscellaneous types of loans.

7. Vault cash, cash items in process of collection, and balances with U.S. and foreign banks and other depository institutions, including demand and time deposits and certificates of deposit for all categories of institutions. SAIF-insured institutions data are for cash and demand deposits only; time deposits are included in "Other securities."

8. Government and corporate securities, including mortgage-backed securities and

*Notes continue on the next page*

INCOME AND EXPENSES of U.S. Commercial Banks and Thrift Institutions for the Twelve Months Ending June 30, 1992<sup>1</sup>

Billions of dollars

Item	Total	U.S. Commercial Banks <sup>2</sup>			U.S. Branches and Agencies of Foreign Banks <sup>16</sup>	BIF-Insured Savings Banks	SAIF-Insured Institutions			Credit Unions <sup>3</sup>	
		National	State Member	State Non-Member			Savings and Loan Associations		Savings Banks	Federal Charter	State Charter
							Federal Charter	State Charter			
Operating income	451	197	55	80	...	18	19	12	49	13	8
Interest and fees on loans	286	116	27	50	...	13	14	10	40	10	6
Other interest and dividend income	88	42	15	16	...	4	2	1	4	2	2
All other operating income	76	39	13	14	...	1	2	1	5	1	*
Operating expenses	408	181	50	70	...	17	16	11	46	11	6
Salaries and benefits	65	31	10	12	...	2	1	1	5	2	1
Interest on deposits and shares	177	69	18	31	...	9	9	7	24	6	4
Interest on other borrowed money	35	16	6	3	...	1	2	1	6	*	*
Provision for loan and lease losses	40	20	5	7	...	2	1	1	3	1	*
All other operating expenses	92	45	11	17	...	3	3	2	8	2	1
<b>Net operating income</b>	<b>42</b>	<b>16</b>	<b>5</b>	<b>10</b>	<b>...</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>2</b>
Securities gains and losses	*	*	*	*	...	*	*	*	*	*	*
Income taxes	10	1	2	3	...	1	1	1	1	‡	‡
<b>Net income</b>	<b>33</b>	<b>15</b>	<b>3</b>	<b>7</b>	<b>...</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>
Memorandum: Number of institutions reporting	26,897	3,697	950	7,028	...	446	563	667	783	8,075	4,688

obligations of states and political subdivisions and of U.S. government agencies and corporations. For SAIF-insured institutions, also includes time deposits and excludes mortgage-backed securities.

9. U.S. Treasury securities and securities and obligations of U.S. government agencies and corporations.

10. Securities issued by states and political subdivisions and public authorities, except for savings and loan associations and U.S. branches and agencies of foreign banks that do not report these securities separately. Loans to states and political subdivisions and public authorities are included in "All other loans and lease receivables."

11. Customers' liabilities on acceptances, real property owned, various accrual ac-

counts, and miscellaneous assets. For U.S. branches and agencies of foreign banks, also includes net due from head office and other related institutions. For SAIF-insured institutions, also includes equity investment in service corporation subsidiaries.

12. Demand, savings, and time deposits, including certificates of deposit at commercial banks, U.S. branches and agencies of foreign banks, and savings banks; credit balances at U.S. agencies of foreign banks; and share balances at savings and loan associations and credit unions, including certificates of deposit, NOW accounts, and share draft accounts. For U.S. commercial banks, includes deposits in foreign offices, branches in U.S. territories and possessions, and Edge Act and Agreement Corporation Subsidiaries.

13. Interest-bearing demand notes issued to the U.S. Treasury, borrowing from Federal Reserve Banks and Federal Home Loan Banks, subordinated debt, limited-life preferred stock, and other nondeposit borrowing.

14. Depository institutions' own mortgage borrowing, liability for capitalized leases, liability on acceptances executed, various accrual accounts, and miscellaneous liabilities. For U.S. branches and agencies of foreign banks, also includes net due to head office and other related institutions.

15. Capital stock, surplus, capital reserves, and undivided profit.

16. U.S. branches and agencies of foreign banks are not required to file reports of income.

NOTE: Because of rounding, details may not sum to totals.

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## APPENDIX A: RELEVANT STATUTES

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### Title X of Public Law 95-360

Title X of Public Law 95-360, which establishes the Federal Financial Institutions Examination Council, reads as follows:

*Sec. 1001.* This title may be cited as the "Federal Financial Institutions Examination Council Act of 1978."

### Purpose

*Sec. 1002.* It is the purpose of this title to establish a Financial Institutions Examination Council which shall prescribe uniform principles and standards for the Federal examination of financial institutions by the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision and the National Credit Union Administration, and make recommendations to promote uniformity in the supervision of these financial institutions. The Council's actions shall be designed to promote consistency in such examinations to insure progressive and vigilant supervision.

### Definitions

*Sec. 1003.* As used in this title—

(1) the term "Federal financial institutions regulatory agencies" means the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the National Credit Union Administration;

(2) the term "Council" means the Financial Institutions Examination Council"; and

(3) the term "financial institution" means a commercial bank, a savings bank, a trust company, a savings and loan association, a building and loan association, a homestead association, a cooperative bank, or a credit union.

### Establishment of the Council

*Sec. 1004.* (a) There is established the Financial Institutions Examination Council which shall consist of—

(1) the Comptroller of the Currency,

(2) the Chairman of the Board of Directors of the Federal Deposit Insurance Corporation,

(3) a Governor of the Board of Governors of the Federal Reserve System designated by the Chairman of the Board,

(4) the Director of the Office of Thrift Supervision, and

(5) the Chairman of the National Credit Union Administration Board.

(b) The members of the Council shall select the first chairman of the Council. Thereafter the chairmanship shall rotate among the members of the Council.

(c) The term of the Chairman of the Council shall be two years.

(d) The members of the Council may, from time to time, designate other officers or employees of their respective agencies to carry out their duties on the Council.

(e) Each member of the Council shall serve without additional compensation but shall be entitled to reasonable expenses incurred in carrying out his official duties as such a member.

### Expenses of the Council

*Sec. 1005.* One-fifth of the costs and expenses of the Council, including the salaries of its employees, shall be paid by each of the federal financial institutions regulatory agencies. Annual assessments for such share shall be levied by the Council based upon its projected budget for the year, and additional assessments may be made during the year if necessary.

### Functions of the Council

*Sec. 1006.* (a) The Council shall establish uniform principles and standards and report forms for the examination of financial institutions which shall be applied by the federal financial institutions regulatory agencies.

(b)(1) The Council shall make recommendations for uniformity in other supervisory matters, such as, but not limited to, classifying loans subject to country risk, identifying financial institutions in need of special supervisory attention, and evaluating the soundness of large loans that are shared by two or more financial institutions. In addition, the Council shall make recommendations regarding the adequacy of supervisory tools for determining the impact of holding company operations on the financial institutions within the holding company and shall consider the ability of supervisory agencies to discover possible fraud or questionable and illegal payments and practices which might occur in the operation of financial institutions or their holding companies.

(2) When a recommendation of the Council is found unacceptable by one or more of the applicable

federal financial institutions regulatory agencies, the agency or agencies shall submit to the Council, within a time period specified by the Council, a written statement of the reasons the recommendation is unacceptable.

(c) The Council shall develop uniform reporting systems for federally supervised financial institutions, their holding companies, and non-financial institution subsidiaries of such institutions or holding companies. The authority to develop uniform reporting systems shall not restrict or amend the requirements of section 12(i) of the Securities Exchange Act of 1934.

(d) The Council shall conduct schools for examiners and assistant examiners employed by the federal financial institutions regulatory agencies. Such schools shall be open to enrollment by employees of State financial institutions supervisory agencies and employees of the Federal Housing Finance Board under condition specified by the Council.

(e) Nothing in this title shall be construed to limit or discourage federal regulatory agency research and development of new financial institutions supervisory methods and tools, nor to preclude the field testing of any innovation devised by any federal regulatory agency.

(f) Not later than April 1 of each year, the Council shall prepare an annual report covering its activities during the preceding year.

#### State Liaison

*Sec. 1007.* To encourage the application of uniform examination principles and standards by state and federal supervisory agencies, the Council shall establish a liaison committee composed of five representatives of state agencies which supervise financial institutions which shall meet at least twice a year with the Council. Members of the liaison committee shall receive

a reasonable allowance for necessary expenses incurred in attending meetings.

#### Administration

*Sec. 1008.* (a) The Chairman of the Council is authorized to carry out and to delegate the authority to carry out the internal administration of the Council, including the appointment and supervision of employees and the distribution of business among members, employees, and administrative units.

(b) In addition to any other authority conferred upon it by this title, in carrying out its functions under this title, the Council may utilize, with their consent and to the extent practical, the personnel, services, and facilities of the federal financial institutions regulatory agencies, Federal Reserve Banks, and Federal Home Loan Banks, with or without reimbursement therefor.

(c) In addition, the Council may—

(1) subject to the provisions of Title 5, United States Code, relating to the competitive service, classification, and General Schedule pay rates, appoint and fix the compensation of such officers and employees as are necessary to carry out the provisions of this title, and to prescribe the authority and duties of such officers and employees; and

(2) obtain the services of such experts and consultants as are necessary to carry out the provisions of the title.

#### Access to Information by the Council

*Sec. 1009.* For the purpose of carrying out this title, the Council shall have access to all books, accounts, records, reports, files, memoranda, papers, things, and property belonging to or in use by federal financial institutions regulatory

agencies, including reports of examination of financial institutions or their holding companies from whatever source, together with workpapers and correspondence files related to such reports, whether or not a part of the reports, and all without any deletions.

#### Risk Management Training

*Sec. 1009A* (a) Seminars. The Council shall develop and administer training seminars in risk management for its employees and the employees of insured financial institutions.

(b) Study of Risk Management Training Program. Not later than end of the one-year period beginning on the date of the enactment of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, the Council shall—

(1) conduct a study on the feasibility and appropriateness of establishing a formalized risk management training program designed to lead to the certification of Risk Management Analysts; and

(2) report to the Congress the results of such study.

#### Audit by the Comptroller General

*Sec. 1010.* Section 117 of the Accounting and Auditing Act of 1950, as amended by the Federal Banking Agency Audit Act (Public Law 95-320), is further amended by:

(1) redesignating clauses (A), (B), and (C) of subsection (e)(1) as (B), (C), and (D), respectively, and inserting in subsection (e)(1) the clause "(A) of the Financial Institutions Examination Council;" immediately following "audits"; and

(2) striking out in subsection (e)(2) "and (C)" and inserting in lieu thereof "(C), and (D)".

*Sec. 1011.* Establishment of Appraisal Subcommittee

There shall be within the Council a subcommittee to be known as the "Appraisal Subcommittee," which shall consist of the designees of the heads of the federal financial institutions regulatory agencies. Each such designee shall be a person who has demonstrated knowledge and competence concerning the appraisal profession.

**Excerpts from Title III of Public Law 94-200**

Following are those sections of title III of Public Law 94-200, the Home Mortgage Disclosure Act, that affect the Federal Financial Institutions Examination Council.

**Findings and Purpose**

*Sec. 302 (a)* The Congress finds that some depository institutions have sometimes contributed to the decline of certain geographic areas by their failure pursuant to their chartering responsibilities to provide adequate home financing to qualified applicants on reasonable terms and conditions.

(b) The purpose of this title is to provide the citizens and public officials of the United States with sufficient information to enable them to determine whether depository institutions are filling their obligations to serve the housing needs of the communities and neighborhoods in which they are located and to assist public officials in their determination of the distribution of public sector investments in a manner designed to improve the private investment environment.

**Maintenance of Records and Public Disclosure**

*Sec. 304 (f)* The Federal Financial Institutions Examination Council, in consultation with the Secretary, shall implement a system to facili-

tate access to data required to be disclosed under this section. Such system shall include arrangements for a central depository of data in each primary metropolitan statistical area, metropolitan statistical area, or consolidated metropolitan statistical area that is not composed of designated primary metropolitan statistical areas. Disclosure statements shall be made available to the public for inspection and copying at such central depository of data for all depository institutions which are required to disclose information under this section (or which are exempted pursuant to section 306(b)) and which have a home office or branch office within such primary metropolitan statistical area, metropolitan statistical area, or consolidated metropolitan statistical area that is not composed of designated primary metropolitan statistical areas.

**Compilation of Aggregate Data**

*Sec. 310 (a)* Beginning with data for calendar year 1980, the Federal Financial Institutions Examination Council shall compile each year, for each primary metropolitan statistical area, metropolitan statistical area, or consolidated metropolitan statistical area that is not composed of designated primary metropolitan statistical areas, aggregate data by census tract for all depository institutions which are required to disclose under section 304 or which are exempt pursuant to section 306(b). The Council shall also produce tables indicating, for each primary metropolitan statistical area, metropolitan statistical area, or consolidated metropolitan statistical area that is not composed of designated primary metropolitan statistical areas, aggregate lending patterns for various categories of census tracts grouped according to location, age of housing stock, income level and racial characteristics.

(b) The Board shall provide staff and data processing resources to the

Council to enable it to carry out the provisions of subsection (a).

(c) The data and tables required pursuant to subsection (a) shall be made available to the public by no later than December 31 of the year following the calendar year on which the data are based.

**Excerpts from Title XI of Public Law 101-73**

*Sec. 1103.* Functions of Appraisal Subcommittee.

(a) In General. The Appraisal Subcommittee shall—

(1) monitor the requirements established by states for the certification and licensing of individuals who are qualified to perform appraisals in connection with federally regulated transactions, including a code of professional responsibility;

(2) monitor the requirements established by the federal financial institutions regulatory agencies and the Resolution Trust Corporation with respect to—

(A) appraisal standards for federally related transactions under their jurisdiction, and

(B) determinations as to which federally related transactions under their jurisdiction require the services of a state certified appraiser and which require the services of a state licensed appraiser.

(3) maintain a national registry of state certified and licensed appraisers who are eligible to perform appraisals in federally related transactions; and

(4) transmit an annual report to the Congress not later than January 31 of each year which describes the manner in which each function assigned to the Appraisal Subcommittee has been carried out during the preceding year.

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(b) Monitoring and Reviewing Foundation. The Appraisal Subcommittee shall monitor and review the practices, procedures, activities, and organizational structure of the Appraisal Foundation.

*Sec. 1104.* Chairperson of Appraisal Subcommittee: Term of Chairperson; meetings.

(a) Chairperson. The Council shall select the Chairperson of the subcommittee. The term of the Chairperson shall be two years.

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## APPENDIX B: 1992 AUDIT REPORT

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To the Federal Financial Institutions  
Examination Council

We have audited the accompanying balance sheets of the Federal Financial Institutions Examination Council (the Council), as of December 31, 1992 and 1991, and the related statements of revenues and expenses and fund balance and cash flows for the years then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government*

*Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Federal Financial Institutions Examination Council as of December 31, 1992 and 1991, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

*Coopers & Lybrand*

Coopers & Lybrand  
Washington, D.C.  
February 12, 1993

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL  
 Balance Sheets as of December 31, 1992 and 1991

ASSETS		
	<u>1992</u>	<u>1991</u>
<b>CURRENT ASSETS</b>		
Cash, held by Board of Governors of the Federal Reserve System	\$ 38,966	\$165,507
Accounts receivable from member organizations	551,278	264,850
Other accounts receivable	292,015	64,957
Prepaid expenses	—	31,463
Total current assets	<u>882,259</u>	<u>526,777</u>
<b>FURNITURE AND EQUIPMENT</b>		
Furniture and equipment, at cost	190,500	133,597
Less accumulated depreciation	<u>103,278</u>	<u>86,131</u>
Net furniture and equipment	<u>87,222</u>	<u>47,466</u>
<b>LEASEHOLD IMPROVEMENTS, net of amortization</b>		
Total assets	<u>\$1,053,329</u>	<u>\$574,243</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable to member organizations	\$ 397,797	\$538,631
Other accounts payable and accrued liabilities	103,297	56,229
Accrued annual leave	<u>51,904</u>	<u>64,591</u>
Total current liabilities	<u>552,998</u>	<u>659,451</u>
DEFERRED RENT (Note 5)	<u>132,914</u>	<u>—</u>
COMMITMENTS (Note 6)	—	—
<b>FUND BALANCE</b>		
Total liabilities and fund balance	<u>367,417</u>	<u>(85,208)</u>
	<u>\$1,053,329</u>	<u>\$574,243</u>

The accompanying notes are an integral part of these statements.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL  
 Statements of Revenues and Expenses and Fund Balance for the Years Ended December 31, 1992 and 1991

	<u>1992</u>	<u>1991</u>
<b>REVENUES</b>		
Assessments to member organizations	\$1,621,500	\$1,205,200
Tuition	1,183,541	1,071,116
Other revenue (Note 4)	<u>1,377,949</u>	<u>799,314</u>
Total revenues	<u>4,182,990</u>	<u>3,075,630</u>
<b>EXPENSES</b>		
Salaries and related benefits	1,110,798	983,501
Data processing	1,347,345	1,205,083
Rental of office space	549,479	371,147
Professional fees	139,959	141,937
Travel	106,147	95,471
Printing	103,588	62,092
Rental and maintenance of office equipment	66,871	64,173
Books and subscriptions	46,513	35,094
Office and other supplies	43,961	32,310
Administrative fees	43,000	40,000
Postage	34,528	35,525
Depreciation	24,788	8,485
Telephone	20,863	21,040
Miscellaneous	<u>92,525</u>	<u>60,021</u>
Total expenses	<u>3,730,365</u>	<u>3,155,879</u>
REVENUES OVER(UNDER) EXPENSES	452,625	(80,249)
FUND BALANCE, Beginning of year	<u>(85,208)</u>	<u>(4,959)</u>
FUND BALANCE, End of year	<u>\$ 367,417</u>	<u>\$ (85,208)</u>

The accompanying notes are an integral part of these statements.

**Notes to Financial Statements**

(1) Organization and Purpose

The Federal Financial Institutions Examination Council (the "Council") was established under title X of the Financial Institutions Regulatory and Interest Rate Control Act of 1978. The purpose of the Council is to prescribe uniform principles and standards for the federal examination of financial institutions and to make recommendations to promote uniformity in the supervision of these financial institutions. The five agencies which are represented on the Council, referred to hereafter as member organizations, are as follows:

Board of Governors of the Federal Reserve System  
 Federal Deposit Insurance Corporation  
 National Credit Union Administration  
 Office of the Comptroller of the Currency  
 Office of Thrift Supervision

The Appraisal Subcommittee of the Council was created pursuant to Public Law 101-73, title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. The functions of the Appraisal Subcommittee are related to the certification and licensing of individuals who perform appraisals in connection with federally related real estate transactions. Members of the

Appraisal Subcommittee consist of the designees of the heads of those agencies which comprise the Council and the designee of the head of the Department of Housing and Urban Development. Although it is a subcommittee of the Council, the Appraisal Subcommittee maintains separate financial records and administrative processes. The Council's financial statements do not include financial data for the Appraisal Subcommittee other than that presented in note 4.

(2) Significant Accounting Policies

*Revenues and Expenses*—Assessments made on member organizations for operating expenses and additions to property are calculated based on expected cash needs. Assessments, other revenues, and operating expenses are recorded on the accrual basis of accounting.

*Furniture and Equipment*—Furniture and equipment is recorded at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which range from four to ten years. Upon the sale or other disposition of a depreciable asset, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recognized.

*Leasehold Improvements*—Leasehold improvements are amortized on a straight-line basis over

the shorter of the term of the related lease or the estimated useful life of the improvements.

(3) Transactions with Member Organizations

The five member organizations are each assessed one-fifth of the expected cash needs based on the annual operating budget. Each member organization was assessed \$324,300 in 1992 and \$241,040 in 1991.

The Board of Governors of the Federal Reserve System provided administrative support services to the Council at a cost of \$43,000 for 1992 and \$40,000 for 1991.

Member organizations provide office space, data processing, and printing services to the Council. The Council paid member organizations \$1,606,100 in 1992 and \$1,430,700 in 1991 for these items.

The Council coordinates the production and distribution of the Uniform Bank Performance Reports (UBPR) through the Federal Deposit Insurance Corporation (FDIC). The Council is reimbursed for the direct cost of the operating expenses it incurs for this project.

Notes continue on the following page.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL  
 Statements of Cash Flows  
 Increase (Decrease) in Cash for the Years Ended December 31, 1992 and 1991

	1992	1991
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Revenues over (under) expenses	\$ 452,625	\$ (80,249)
Adjustments to reconcile revenues over (under) expenses to net cash provided by operating activities:		
Depreciation	24,788	8,485
Increase in accounts receivable and prepaid expenses	(482,023)	(77,017)
(Decrease) increase in accounts payable and accrued liabilities	(93,766)	143,004
(Decrease) increase in accrued annual leave	(12,687)	23,653
Increase in deferred rent	132,914	—
Net cash provided by operating activities	<u>21,851</u>	<u>17,876</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposals of furniture and equipment	6,470	—
Capital expenditures	(154,862)	(32,274)
Net cash used in investing activities	<u>(148,392)</u>	<u>(32,274)</u>
<b>NET (DECREASE) IN CASH</b>	<u>(126,541)</u>	<u>(14,398)</u>
CASH BALANCE, Beginning of year	165,507	179,905
CASH BALANCE, End of year	<u>\$ 38,966</u>	<u>\$ 165,507</u>

The accompanying notes are an integral part of these statements.

**Notes to Financial Statement—continued**

Council employees are paid through the payroll systems of member organizations. Salaries and fringe benefits disbursed on behalf of the Council are reimbursed in full to these organizations.

Member organizations are not reimbursed for the costs of personnel who serve as Council members and on the various task forces and committees of the Council. The value of these contributed services has not been included in the accompanying financial statements.

**(4) Other Revenue**

	1992	1991
Home Mortgage Disclosure Act	\$ 822,850	\$515,511
Uniform Bank Performance Report	202,619	159,019
Appraisal Subcommittee	159,825	112,607
Sale of HMDA Data	92,450	—
Rental	91,957	—
Miscellaneous	8,248	12,177
	<u>\$1,377,949</u>	<u>\$799,314</u>

The Council produces and distributes reports under the Home Mortgage Disclosure Act (HMDA). The Council received \$226,136 in 1992 and \$180,048 in 1991 from the Department of Housing and Urban Development (HUD) to fund HUD's participation in the HMDA project. The balance of the HMDA revenue for 1992 and 1991 was received from the member agencies.

The Council coordinated and provided certain administrative support to the UBPR project. The Council received \$202,619 in 1992 and \$159,019 in 1991 for operating expenses incurred in support of the UBPR project.

The Council provided space and certain administrative support to the Appraisal Subcommittee. The Council received \$159,825 in 1992 and \$112,607 in 1991 from the Appraisal Subcommittee for those services.

The Council provided space to the Board of Governors of the Federal Reserve System (Board) in 1992. The Council received \$91,957 in rent from the Board.

**(5) Deferred Rent**

During 1992 the Council entered into a lease for office space. This lease contains rent abatements

and scheduled rent increases which, in accordance with generally accepted accounting principles, must be considered in determining the annual rent expense to be recognized by the Council. The deferred rent represents the difference between the actual lease payments made in 1992 and the rent expense recognized.

**(6) Commitments**

The Council has entered into operating leases to secure office and classroom space for periods ranging from two to six years. Minimum future rental commitments under those operating leases having an initial or remaining noncancelable lease term in excess of one year at December 31, 1992, are as follows:

1993	\$ 590,311
1994	487,166
1995	489,336
1996	456,039
1997	429,627
After 1997	429,627
	<u>\$2,882,106</u>

Rental expenses under these operating leases were \$506,100 and \$344,800 in 1992 and 1991, respectively.

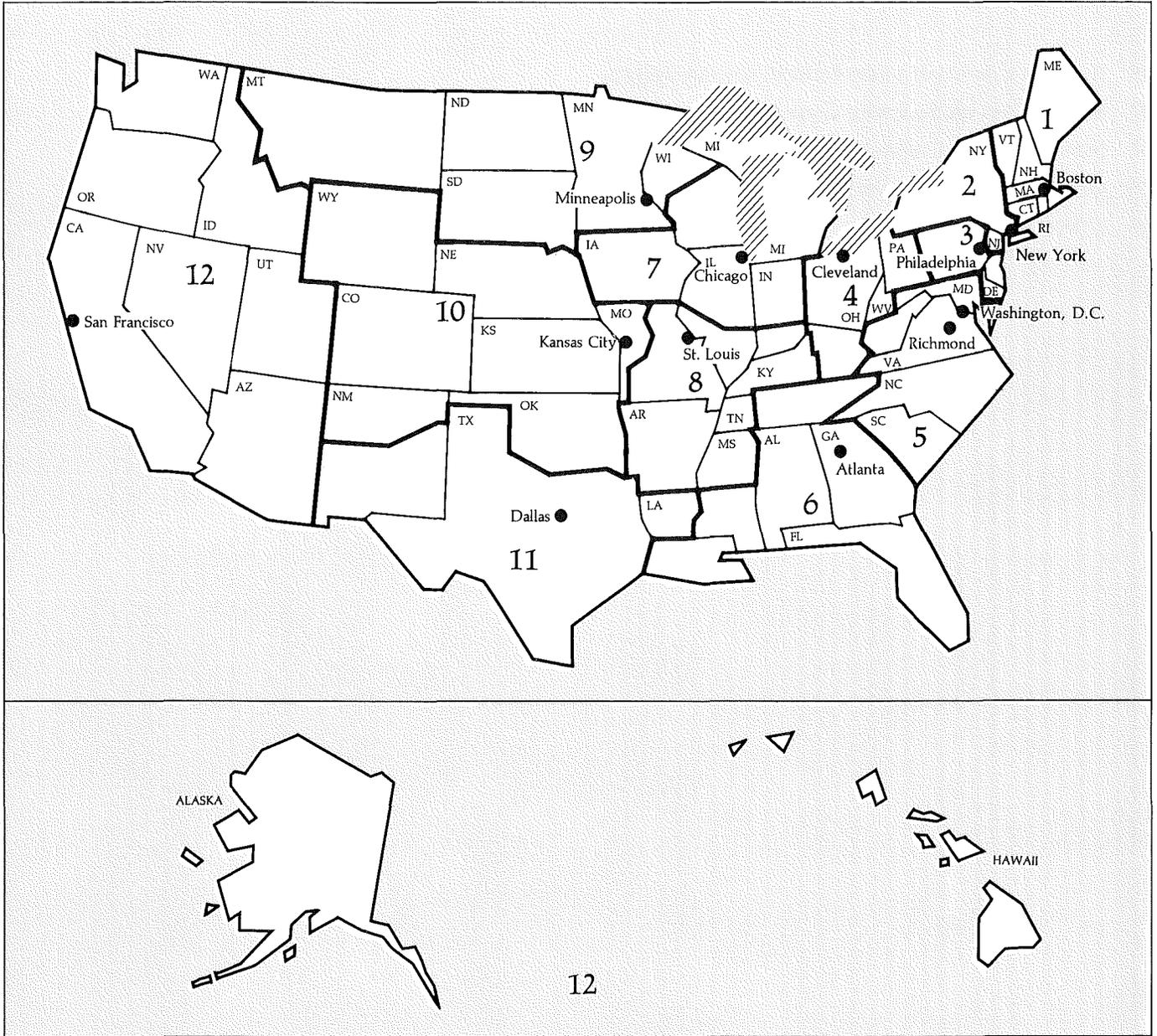
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## APPENDIX C: MAPS OF AGENCY REGIONS AND DISTRICTS

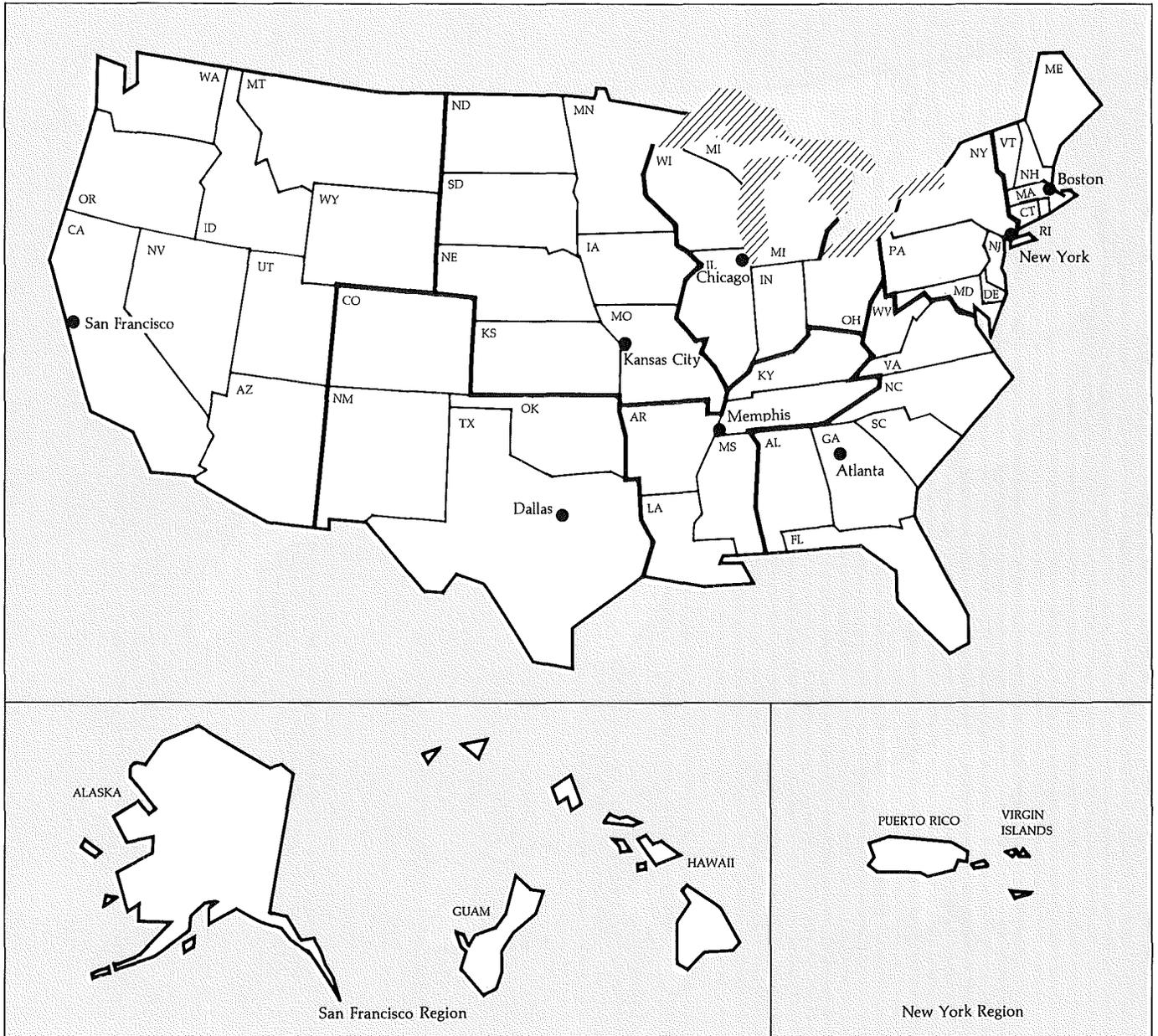
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- 36 Board of Governors of the Federal Reserve System
- 37 Federal Deposit Insurance Corporation
- 38 National Credit Union Administration
- 39 Office of the Comptroller of the Currency
- 40 Office of Thrift Supervision

# THE FEDERAL RESERVE SYSTEM DISTRICTS

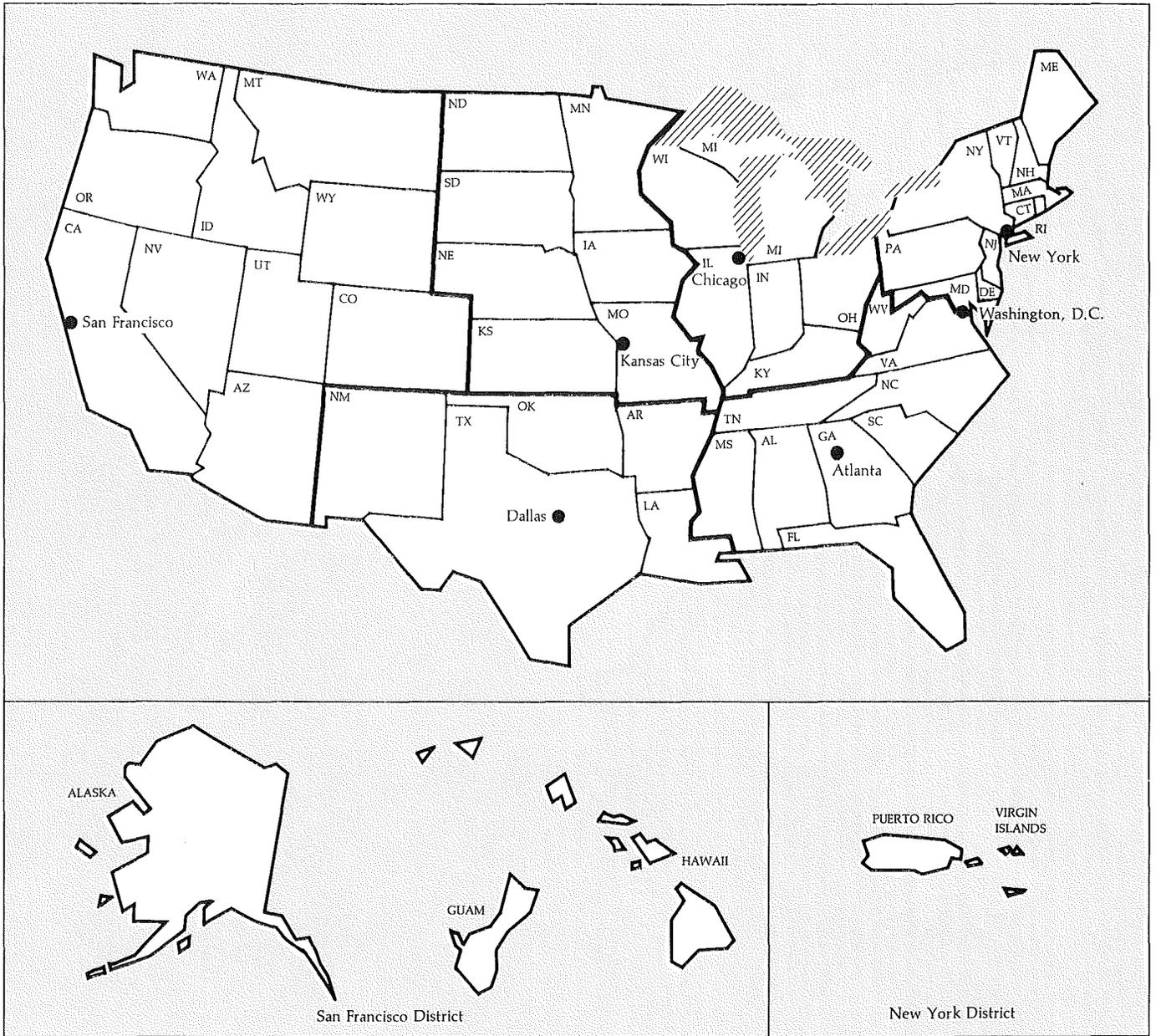


# FEDERAL DEPOSIT INSURANCE CORPORATION REGIONS (SUPERVISION)





# COMPTROLLER OF THE CURRENCY DISTRICT ORGANIZATION



# OFFICE OF THRIFT SUPERVISION

