Federal Financial Institutions Examination Council

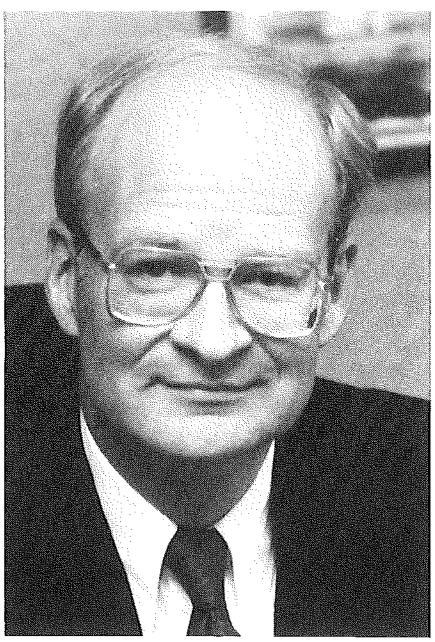
ANNUAL REPORT 1991

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

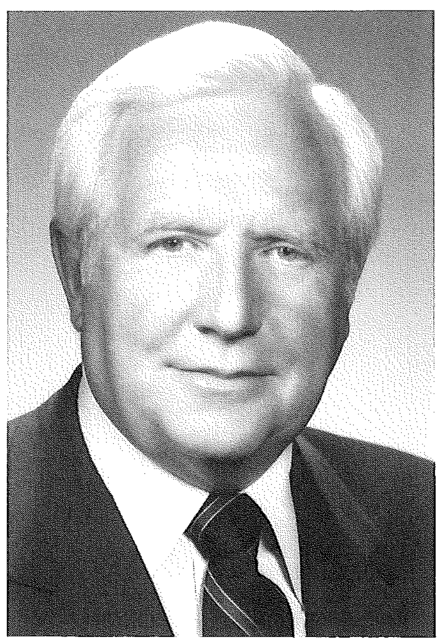
MEMBERS OF THE COUNCIL

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

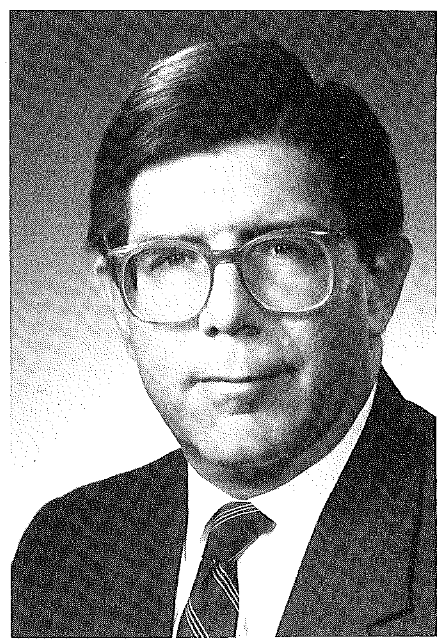
William Taylor, *Vice Chairman*
Chairman
Federal Deposit Insurance Corporation



Robert L. Clarke
Comptroller of the Currency
Office of the Comptroller of the Currency



Roger W. Jepsen
Chairman
National Credit Union Administration



T. Timothy Ryan
Director
Office of Thrift Supervision

LETTER OF TRANSMITTAL

Federal Financial Institutions
  Examination Council
Washington, D.C.
March 31, 1992

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 1991 Annual Report of the Federal Financial Institutions Examination Council.

Sincerely,

John P. LaWare

John P. LaWare
Chairman

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MESSAGE FROM THE CHAIRMAN

John P. LaWare

In 1991, the Federal Financial Institutions Examination Council again served as a forum for harmonization of the country's federal financial supervisory practices by addressing many important issues that required complete agreement among the agencies. The Council also took final steps to complete the establishment of the Appraisal Subcommittee (ASC) within the Council. Mr. Fred Finke, Office of the Comptroller of the Currency, was appointed Chairman of the ASC for a two-year term. In other administrative actions during the year, the Council appointed Mr. Joe M. Cleaver as Executive Secretary and approved the two-year terms of Mr. James E. Gilleran, California Superintendent of Banks, and Ms. Sarah W. Hargrove, Pennsylvania Secretary of Banking, as representatives on the State Liaison Committee.

The Council was active in deliberations leading to actions affecting consumers' use of financial services. These activities included the following: a uniform policy statement relating to the Fair Credit Reporting Act with regard to how firms may offer preapproved credit card accounts; publication of a booklet entitled *Home Mortgage Lending and Equal Treatment* to help lenders avoid policies and procedures that might lead to discriminatory mortgage lending; a recommendation to the banking and thrift institution regulatory agencies to disclose to the public the Community Reinvestment Act (CRA) examination ratings; publication of a revised *Citizens Guide to CRA;* a policy statement on the use of geographic analysis of lending patterns for use in CRA examinations; and revised examination procedures for the Home Mortgage Disclosure Act (HMDA).

Within the scope of promoting the safety and soundness of financial institutions, the Council revised a Supervisory Policy Statement on Securities Activities to update and augment the policy statement adopted in 1988. The new statement outlines strategies for identifying high-risk mortgage derivative securities and discusses how they must be handled in an institution's portfolio. In conjunction with the Council's Task Force on Supervision, the Council issued an advisory statement on "EDP Risks in Mergers and Acquisitions" and revisions to the policy statement dealing with examinations of certain data processing centers.

Having accurate and timely financial information on the health of the nation's financial institutions is a necessity for financial institution regulators. To improve the accuracy and timeliness of data from the Report of Condition and Income (Call Report) without imposing additional burdens on the reporting banks, the Council issued for public comment a proposal to require electronic transmission of these data by all banks. The Council has been experimenting with voluntary electronic transmission of Call Reports since 1988. With feedback from the industry, the Council is hopeful that electronic reporting for the larger banks can continue, with smaller institutions coming on line as technology makes it cost effective. The Council looks forward to further comments from the industry on this issue.

The State Liaison Committee (SLC) again played an important role in the execution of the Council's responsibilities. Continued consolidation of financial institutions in different states places increasingly difficult scheduling procedures on the state and federal supervisors. The Council's program to achieve close coordination of the examination of multi-state banking organizations has been successful in large part because of the initiative of the SLC. Joint participation of state and federal examiners in the oversight of these interstate financial institutions has become a permanent part of the supervisory process.

THE FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

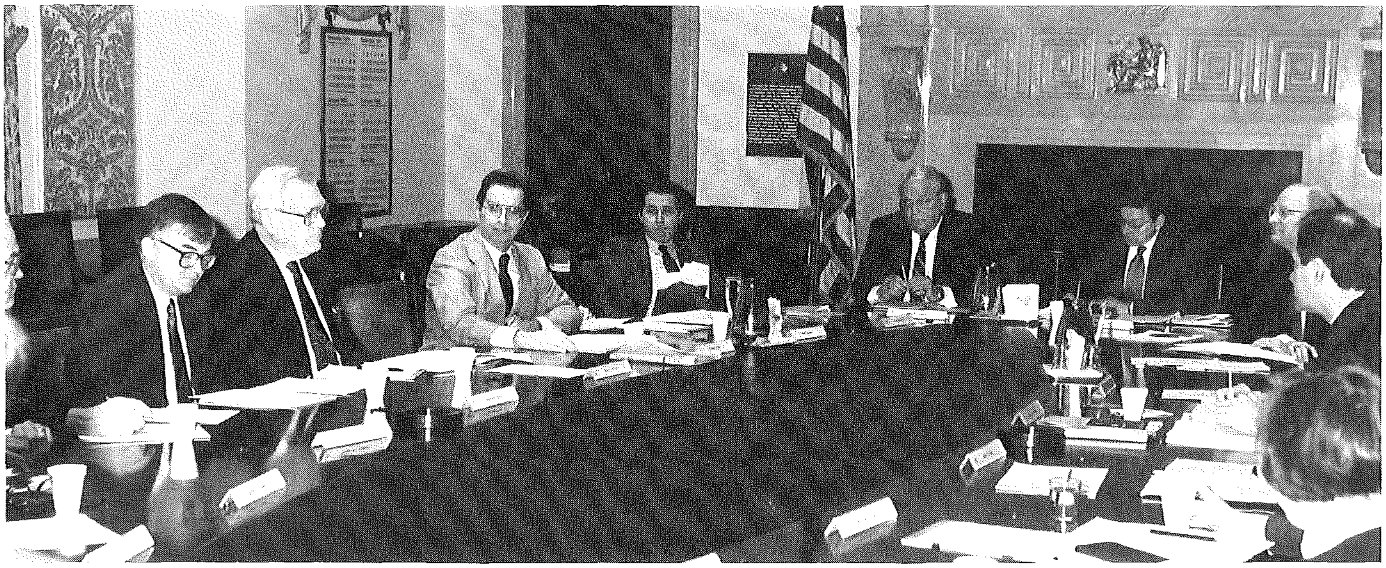
The Federal Financial Institutions Examination Council ("Council") was established on March 10, 1979, pursuant to title X of Public Law 95-630, the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (FIRA). The purpose of title X was to create a formal interagency body empowered 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 are required to 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 responsibility; (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. In addition, 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.

RECORD OF ACTIONS OF THE COUNCIL



The Examination Council in Session, January 28, 1992.

The following section is a chronological record of the official actions taken by the Federal Financial Institutions Examination Council during 1991 pursuant to sections 1006, 1007, and 1009A of Public Law 95-630; section 340 of Public Law 96-399 (Housing and Community Development Act of 1980); and section 1104(a) of Public Law 101-73 (Financial Institutions Reform, Recovery, and Enforcement Act of 1989).

February 15

Action. Unanimously approved the 1990 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 14

Action. Unanimously approved the appointment of James E. Gilleran, California Superintendent of Banks, and Sarah W. Hargrove, Pennsylvania Secretary of Banking, to the State Liaison Committee for the period May 1, 1991, to April 30, 1993.

Explanation. Under the Council's Rules of Operation, the Council directly appoints two of the five members of the State Liaison Committee to two-year terms. Mr. Gilleran and Ms. Hargrove succeed Sidney A. Bailey, Virginia Commissioner of Financial Institutions, and Sandra K. Branson, Missouri Director of Credit Unions, who completed their terms on the Committee.

April 22

Action. Unanimously approved extending the date on which appraisals in connection with federally related real estate transactions must be performed by certified or licensed individuals from July 1, 1991, to December 31, 1991.

Explanation. Under section 1119(a) of FIRREA's Title XI, the Appraisal Subcommittee can extend from July 1, 1991, to December 31, 1991, the effective date for each state, territory, and the District of Columbia to comply with the requirement of Title XI that appraisals made in connection with federally related transactions be performed by certified or licensed individuals. The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), which became law on December 19, 1991, extends this date until December 31, 1992. The Subcommittee, however, must find that each jurisdiction receiving such an extension has made substantial progress in establishing a certification and licensing system that conforms to the requirements of Title XI. Such a finding by the Subcommittee must be approved by the Examination Council according to Title XI.

April 24

Action. Unanimously approved the appointment of Fred Finke, Office of the Comptroller of the Currency, as Chairperson of the Appraisal Subcommittee.

Explanation. Section 1104(a) of FIRREA states that "The Council shall select the Chairperson of the Subcommittee. The term of the Chairperson shall be 2 years." The Subcommittee has six members, and Mr. Finke had been serving as acting chairman of the Subcommittee since October 26, 1990.

May 24

Action. Unanimously approved a uniform policy statement regarding prescreening under the Fair Credit Reporting Act and recommended its adoption by the five agencies represented on the Council. (All five agencies approved the Council's recommendation).

Explanation. In May 1990, the Federal Trade Commission (FTC) issued a commentary providing guidance on issues relating to the Fair Credit Reporting Act (FCRA).

Since publication of the FTC Commentary, the agencies represented on the Council have received questions about the approach they will use in examining for compliance with the FCRA, particularly with regard to the practice of prescreening consumers who will be offered preapproved credit card accounts.

Prescreening is a process by which a consumer reporting agency compiles or edits a list of consumers that meet specific credit-granting criteria provided by an institution. The institution then uses the list in soliciting specific consumers for credit products. The FTC's view is that the FCRA permits prescreening if the institution makes a firm offer of credit to each consumer whose name appears on the list.

The Council's policy statement addresses several concerns that are not covered by the FTC's Commentary. For example, the statement provides that an institution may withdraw an offer of credit if a significant change—such as foreclosure, filing for bankruptcy, or garnishment—takes place between the prescreen and the consumer's acceptance of the credit offer. The statement emphasizes, however, that the Council believes an institution may not condition or withdraw a credit offer if the consumer fails to meet a specified income level or debt-to-income ratio.

August 5

Action. Unanimously approved publication of a pamphlet entitled "Home Mortgage Lending and Equal Treatment" for distribution to depository institutions.

Explanation. The pamphlet provides guidance to depository institutions regarding their mortgage-lending practices. It identifies lending policies, procedures, and underwriting standards that might result in prohibited discrimination against mortgage applicants.

September 17

Action. Approved a Memorandum of Understanding (MOU) between the Department of Housing and Urban Development (HUD) and the agencies represented on the Council that sets out procedures for coordination and cooperation in investigating complaints that allege a violation of the Fair Housing Act.

Explanation. HUD is responsible for administering the Fair Housing Act and investigating the complaints it receives. The Council's agencies also have statutory and regulatory responsibility for investigating and resolving complaints alleging illegal discrimination in residential real estate transactions by the financial institutions they regulate. The MOU will help ensure nondiscriminatory practices by regulated institutions, minimize duplication of effort among the agencies, and minimize the regulatory burden on the public.

September 24

Action. Unanimously approved issuing for public comment a proposal to require electronic transmission of Call Report data by all banks.

Explanation. In 1985, the Examination Council advised all banks that in lieu of printed forms supplied by the three banking agencies, they would accept Call Reports in the form of computer-generated facsimiles if the facsimiles met certain format standards. Then, as of the March 31, 1988, reporting date, the Council authorized the electronic submission of Call Reports to the banking agencies.

Although the number of banks submitting their Call Reports electronically has grown steadily since 1988, the Council has concluded that a high level of industry participation in the electronic-submission program will not be achieved for many years if participation remains voluntary. Given that the electronic submission of data results in improvements in the quality and timeliness of the data, the Council believes that mandatory electronic submission may be warranted. The Council recognizes, however, that smaller banks may need more time than larger banks to prepare for electronic filing. Consequently, the Council is proposing that all banks with $100 million or more in assets would be required to file electronically on March 31, 1992; banks with assets of $50 million or more would file electronically on March 31, 1993; and all banks would be required to file electronically effective March 31, 1994.

September 24

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 disclose to the public its Community Reinvestment Act (CRA) examination ratings for all examinations conducted after July 1, 1990. (All four agencies adopted the Council's recommendation).

Explanation. On December 7, 1990, the Council approved a recommendation to the agencies that they publish, at least quarterly, lists of institutions for which CRA examinations had been conducted since July 1, 1990. At the time, the Council decided against including the institutions' CRA examination ratings on the lists because of concern that the public might confuse those ratings with safety-and-soundness ratings. The Council now believes that no significant confusion on the meaning of the ratings is likely to arise. In addition, the added information will assist the public in evaluating institutions' performance in helping to meet the credit needs of communities in which they are located.

Mr. Finke reporting to the Council on the activities of the Appraisal Subcommittee

November 22

Action. Unanimously approved publication of a revised *Citizens Guide to CRA*.

Explanation. The Community Reinvestment Act of 1977 (CRA) requires the Federal Reserve Board, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and Office of Thrift Supervision to assess the records of institutions under their jurisdiction in meeting the credit needs of their communities and to take those records into account in considering certain applications, such as merger applications, filed by the institutions. *The Citizens Guide to CRA* is designed to assist individuals and organizations that wish to comment on such applications. The Council's publication describes the types of applications that are covered by CRA and answers common questions about the application and comment process.

The original *Guide* was approved for publication by the Council on November 6, 1980. The revised *Guide* incorporates the important changes to CRA included in the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, which were implemented by the agencies on July 1, 1990.

November 22

Action. Unanimously approved a Community Reinvestment Act Policy Statement on Analyses of Geographic Distribution of Lending and recommended its adoption by the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision. (All four agencies approved the Council's recommendation.)

Explanation. The policy statement is being issued to explain the Council's and the agencies' views concerning the need for institutions to analyze the geographic distribution of their loans and loan applications as part of their Community Reinvestment Act (CRA) planning process, to indicate what the agencies expect of the institutions they supervise, and to give guidance on how financial institutions can meet those expectations.

The Council and the agencies believe that an effective CRA management process involves the following: (1) developing a plan for addressing the institution's CRA responsibilities, (2) implementing the plan, and (3) reviewing the results and making any necessary revisions to the plan. As a part of the review, an annual or more frequent analysis of the disposition of loan applications should be made to ensure that potential borrowers are treated in a fair and nondiscriminatory manner and that all segments of the delineated community are appropriately served.

The agencies expect that each institution will adequately document its geographic analysis and make such documentation readily available to its supervisory agency's examiners.

November 22

Action. Unanimously approved a Supervisory Policy Statement on Securities Activities and recommended its adoption by the five agencies represented on the Council. (All five agencies approved the Council's recommendation.)

Explanation. This supervisory policy statement, which was issued for public comment on January 3, 1991, revises the statement on "Selection of Securities Dealers and Unsuitable Investment Practices" that was approved by the Council in April 1988 and subsequently adopted by the Federal Reserve Board, the Federal Deposit Insurance Corporation, the National Credit Union Administration, and the Office of the Comptroller of the Currency. That policy statement emphasized the importance of knowing the securities firms with which a depository institution does business and dealt with regulatory concerns relating to speculative activities improperly conducted in an institution's investment portfolio. It also identified risks associated with stripped mortgage-backed securities, residuals, and zero-coupon bonds and concluded that such instruments may be unsuitable investments for depository institutions.

The new statement, which supersedes the earlier one, provides additional information on the development of appropriate portfolio policies and strategies and on securities practices that are not appropriate for an investment account. The new statement also establishes a framework for determining when a mortgage-derivative product is a high-risk mortgage security: according to the statement, if the product is determined to be high risk, the institution should hold the security in a trading or held-for-sale account.

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

Task Force on Consumer Compliance

- June 25—Approved revised examination procedures for the Home Mortgage Disclosure Act.
- September 12—Approved Homeowner Counseling Examination Procedures.
- September 26—Approved revised examination procedures for the Real Estate Settlement Procedures Act.

Task Force on Supervision

- September 12—Approved an advisory statement to the senior management of the five agencies represented on the Council entitled "EDP Risks in Mergers and Acquisitions."
- September 12—Approved revisions to the Interagency EDP Policy Statement relating to examinations of certain data processing centers.

STATE LIAISON COMMITTEE REPORT

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 a period of twelve months. Of the five members, two are selected by the Council. The

Members of the State Liaison Committee (left to rignt): Margie Muller, State Bank Commissioner, Maryland; John R. Hale, Credit Union Commissioner, Texas; James E. Gilleran, Chairman, Superintendent of Banks, California; Sarah W. Hargrove, Secretary of Banking, Pennsylvania; John D. Seymour, Commissioner, Savings & Loan Commission, Illinois

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 1991, the SLC made significant contributions toward the goals of fostering state and federal cooperation and reducing duplication of supervisory efforts. The SLC participated in several key proposals made to the Council and completed projects affecting many states.

In 1991, the SLC continued to pursue state participation in the Interagency Country Exposure Review Committee (ICERC). The SLC expressed the need for states to participate in ICERC to enable states to fulfill their safety and soundness responsibility, noting that a large portion of overseas credits are extended by state-chartered banks. ICERC agreed to state participation and delegated the Conference of State Bank Supervisors (CSBS) to appoint a state observer to ICERC meetings.

The SLC also provided input and advice regarding the Council's deliberations on the Geographic Distribution of Loans project. The SLC urged caution against a policy statement that would appear burdensome to financial institutions; however, they further advised the Council to develop a policy statement that is sufficiently detailed so as to avoid various interpretations by examiners.

In a discussion of the Council disclosure of Community Reinvestment Act (CRA) ratings, the SLC members indicated that states are concerned about possible federal inconsistency in interpreting and assigning CRA ratings. The SLC went on record supporting a change in the existing disclosure policy for federal ratings.

During a discussion of the possible mandatory electronic submission of bank Call Reports at the September Council meeting, the SLC stated that it was important for states to receive the same electronic data the federal regulatory agencies would receive to allow parallel use and timely availability of data. The states were given assurances that they would continue to have access to the federal database to obtain the information needed.

The SLC also made a recommendation for the Council to look further into the subject of special purpose banks, which neither take deposits nor extend credit, and the applicability of the provisions of the Community Reinvestment Act to these institutions.

Administration of the Council

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 semiannual assessments on the five agencies represented on the Council. The Council also receives reimbursement for the services it provides in support of preparation of the quarterly Uniform Bank Performance Report, and tuition fees from nonagency attendees cover some of the costs associated with the Council's examiner-education program.

The Federal Reserve Board provides budget and accounting services to the Council, and the Federal Reserve's Controller serves as the Council's Controller. The Council is supported by a small full-time administrative staff in its operations office, and its examiner-education program is administered by Council staff located at its Examiner Training Facility in Arlington, Virginia. 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 each 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 1991 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 1990 would have been impossible.

Organization, December 31, 1991

Members of the Council

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

William Taylor, *Vice Chairman*
Chairman
Federal Deposit Insurance Corporation (FDIC)

Robert L.Clarke
Comptroller of the Currency
Office of the Comptroller of the Currency (OCC)

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

T. Timothy Ryan
Director
Office of Thrift Superervision (OTS)

State Liaison Committee

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

John R. Hale
Credit Union Commissioner
Texas

Sarah W. Hargrove
Secretary of Banking
Pennsylvania

Margie 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

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

Legal Advisory Group

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

Consumer Compliance Task Force

Dennis R. Deischer, *Chairman* (OCC)
Jerauld C. Kluckman (OTS)
Glenn E. Loney (FRB)
William P. Ryan (NCUA)
Janice M. Smith (FDIC)

Examiner Education Task Force

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

Reports Task Force

Robert F. Storch, *Chairman* (FDIC)
David C. Motter (OCC)
Rhoger H Pugh (FRB)
John F. Robinson (OTS)
Alonzo Swann (NCUA)

Supervision Task Force

Jonathan L. Fiechter, *Chairman* (OTS)
Paul G. Fritts (FDIC)
Susan F. Krause (OCC)
David M. Marquis (NCUA)
Frederick M. Struble (FRB)

Surveillance Systems Task Force

Barbara Cornyn, *Chairwoman* (FRB)
Thomas A. Loeffler (OTS)
Lita M. Stum (FDIC)
Renee Valliere (NCUA)
Michael Yuenger (OCC)

Members of the Appraisal Subcommittee

Fred Finke, *Chairman* (OCC)
Roger T. Cole (FRB)
Diana Garmus (OTS)
Alonzo Swann (NCUA)
Morris E. Carter (HUD)
Robert F. Miailovich (FDIC)

The Appraisal Subcommittee in session

ACTIVITIES OF THE INTERAGENCY STAFF GROUPS

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 in all of those functional areas effectively, 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 a 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 the Council addresses.

Task Force on Consumer Compliance

The Task Force on Consumer Compliance was created to promote policy coordination 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 promotes uniformity in policies and procedures used by the 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 level that have a potential effect on the agencies' consumer compliance responsibilities.

Activities of the Task Force

A significant portion of all the issues addressed by the Council for 1991 were contributed by the Consumer Compliance Task Force.

During 1991, the CRA Subcommittee of the task force revised the *Citizens Guide to CRA*. This guide was designed to explain the Community Reinvestment Act of 1977, including what the law requires federal agencies to do to encourage financial institutions to invest in their communities.

To implement the amended provisions to the Community Reinvestment Act mandated by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the CRA Subcommittee of the task force developed a geographic distribution analysis policy statement and uniform examination procedures. The statement articulated the agencies' views concerning the need for institutions to analyze the geographic distribution of their lending patterns as part of their CRA planning process. Analyzing the geographic distribution of credit applications, credit extensions, and credit denials is an integral part of effective CRA management.

FIRREA required the public disclosure of both the written evaluation and CRA rating assigned for examinations commenced on or after July 1, 1990. Also, it requires that each written evaluation contain findings and conclusions with respect to each assessment factor designed to measure CRA performance. The task force developed a final rule that establishes the requirements concerning the manner in which CRA performance evaluations are made public. Implementing this rule enhances information available to the public regarding the financial institutions's CRA activities and performance.

The efforts by the Examination Procedures Subcommittee of the task force included the revision of Regulation CC examination procedures, the modification of Home Mortgage Disclosure Act (HMDA) examination procedures to reflect the changes to HMDA by FIRREA, and the development of examination procedures for the 1990 National Affordable Housing Act.

The Council issued a policy statement recommended by the task force related to the Fair Credit Reporting Act to provide guidance to financial institutions engaged in prescreening consumer credit information.

A task force interagency working group developed a Memorandum of Understanding between the FFIEC member agencies and HUD. This agreement is a set of procedures for the coordination and cooperation of the agencies in the investigation of complaints that allege a violation of the Fair Housing Act.

The task force developed the Home Mortgage Lending and Equal Treatment pamphlet. This pamphlet identifies policies, procedures, and underwriting standards that might result in prohibited discrimination against mortgage applicants. The pamphlet was designed to help ensure that discrimination issues are considered by institutions performing self assessments.

FIRREA expanded the data-collection requirements of HMDA and the types of institutions covered. A subcommittee of the task force, in coordination with the Department of Housing and Urban Development, worked closely with staff members of the Federal Reserve to develop a reporting format and computer system to accommodate the new requirements. The FFIEC, through the Federal Reserve Board, processed information for approximately 9,300 reporting institutions. For the first time, information was collected about the applicants and borrowers, such as information about race, sex, and income. The disclosure statements were printed and distributed to the institutions. The institutions are required to make them available for public inspection.

Task Force on Examiner Education

The Council develops and offers a wide variety of courses and conferences that are aimed at financial-institution examiners and other agency staff members. These programs enable examiners to better understand the banking innovations they encounter and to keep abreast of legal and regulatory changes. 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. Programs are also attended by staff members from the Farm Credit Administration and occasionally from the Secret Service and the Treasury Department.

Since its inception in 1979, the Council has provided training to 28,884 students. In recent years, the Council's training volume has ranged from 3,000 to 4,000 students each year. During 1991, a curriculum of fourteen courses and conferences was available. The instructor cadre 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 course-development groups provide guidance on the selection of topics and guest speakers.

The goals of the training program are the following:

- To develop and offer high-quality courses, seminars, and conferences that meet the needs of financial-institution examiners
- To provide training opportunities for state and foreign financial-institution supervisory agencies
- To promote training efficiency by eliminating duplication in areas in which agencies' training needs coincide
- To foster uniformity of examiner education through joint sponsorship of interagency training.

Programs are of high quality and are devoted entirely to the needs of examiners. Because the pool of potential instructors is larger when many agencies are involved, it is easier to select the appropriate specialist and the quality of instruction is greatly enhanced. A large pool of potential instructors also reduces the teaching burden on an individual agency.

Costs

Interagency training offers another benefit in that offering one course on behalf of several agencies is often less costly than having each agency conduct courses on the same subject. An agency that has little expertise in a new specialized area can have quick and inexpensive access to the needed training.

Participating agencies and states provide most of the instructors, thus keeping costs low. Each agency provides financial support for the interagency school in proportion to planned utilization by the agency.

For 1991, the average cost was approximately $200 for each course attendee and $300 per conference attendee. Attendees from agencies other than the members of the Council and state financial institution supervisory agencies pay $300 for each course and $400 for each conference.

Facilities

Beginning April 1991, the Council training staff relocated its operations to the new FDIC facility at the Virginia Square Metro Station in Arlington, Virginia. This facility provides convenient access to a new 100-seat auditorium and to lodging. The Council will lease its office and classroom space at market rates. Regional programs are usually conducted at the district offices of the member agencies.

Program Initiatives

Program initiatives were begun or continued in three areas: risk management planning, restructuring of the international banking curriculum, and a new conference on emerging issues authorized for 1992.

Risk Management Training for the Banking Industry

In response to FIRREA Section 1218, the Council conducted three seminars for bankers on the subject of Risk Management Planning.

These seminars were aimed primarily at chief executive officers of insured financial institutions. The seminars have also been opened to senior examiners. The goals of the seminar are the following:

- 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 bank-wide 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 topics were discussed at one or more sessions of the seminar:

- Goals of an Effective Risk Management System: A Regulatory View
- The Risk-Management Process: Identifying, Assessing and Controlling Risk
- Risk/Return Analysis of Bank Products
- Roundtable Discussion: "Where Are My Bank's Most Critical Exposures?"
- Recognizing Risk Management Issues in Incentive Systems
- Putting Interest Rate Risk in Perspective
- Credit Risk Management
- Managing Securities Risks
- The Community Bank Risk Management Examination
- Instituting a Bank-wide Risk Management System

During 1991, seminars were held in San Francisco, Chicago, and Atlanta; approximately 150 senior bank executives attended each session. For 1992, sessions will be held in Phoenix, Boston, and Washington, D.C.

International Banking Curriculum

The international banking curriculum has been extensively revised. The basic international banking course, International Banking I, will be replaced with a self-study module. International Banking II and International Capital Markets will be replaced by a new intermediate level International Banking School. Since 1988, the OCC has conducted the Advanced Foreign Exchange School and has made these sessions available to the other member agencies.

Emerging Issues

Aimed at senior examiners, this conference will provide authoritative analysis of emerging technical topics and important contemporary issues confronting the regulatory and banking communities. Designed in 1991, the first session will be offered in 1992 and will run for four and one-half days.

Courses Offered in 1991

Conducting Meetings with Management

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

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. It is not a course in the usual sense. It involves a flow of information from the participants to the course leaders. During the week, the 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 sixteen leading EDP examiners per session. The session conducted in 1991 addressed risks in EFT switching systems.

International Capital Markets

The focus of this one-week program is on financial products currently used in international banking. Topics may vary from session to session, but presently include currency and interest rate swaps, stock and currency options, financial futures, and derivatives. Participants learn to analyze records of transactions, address regulatory concerns, and write any needed examination comments. Prerequisites include International Banking I and II, the Off-Balance-Sheet Risk Conference, and ongoing professional responsibilities in capital market activities. Beginning in 1992, this course will be replaced by the new International Banking School.

Management Workshop

This one-week course is a 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, administer self-assessment questionnaires, and participate in small-group discussion sessions. These assessments are scored and evaluated on scales that present a picture of one's management ability and style. Basic

Number of Attendees at FFIEC Courses, by Agency, 1991[1]

Course or Conference	ACSSS	FCA	FDIC	FRB	NCUA	OCC	OTS	SBD	Other	Sub-Total	Total[2]
Courses											
Management Workshop		26	222	21	3	72	34		1	379	
Regionals				89		27	64	7		187	566
Instructor Training		17	93	36	2	37	3		1	189	
Regionals						16				16	205
International Banking I			46	40		25			5	116	116
International Banking II			10	36		20			5	71	71
International Capital Markets		2	3	16		29	3			53	
Regionals		2	26			3				31	84
Conducting Meetings	1			19	4		18			42	42
EDP Symposium			2	3		2	3			10	10
Conferences											
Information Systems & Technology		3	28	39		61	22	2		155	155
Payment Systems Risk		5	19	8	1	17	3		2	55	
Regionals				38						38	93
Testifying			8	18		23	15			64	64
White Collar Crime	3	32	182	56	9	34	88		4	408	
Regionals			35	119		7	12	21		194	602
Off-Balance-Sheet Risk		38	174	67		59	31		9	378	
Regionals			10	73		1		22	3	109	487
Income Property Lending		11	265	43	4	68	12			403	
Regionals			31	22		36				89	492
Trust			39	43		79	4	1		166	166
Total	**4**	**136**	**1,193**	**786**	**23**	**616**	**312**	**53**	**30**		**3,153**

1. The agencies are the following: the American Council of State Savings Supervisors (ACSS), the Farm Credit Administration (FCA), the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board (FRB), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), and state banking departments (SBD).
2. The total number of conference attendees was 1,995; the total number of course attendees was 1,158.

concepts are presented through lectures, films, and videotapes. 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. Thirty sessions are provided yearly, including numerous regional sessions.

Testifying

This workshop is designed for commissioned examiners who are scheduled to testify at a hearing or trial. Only those who are scheduled to testify imminently are admitted. A mock trial of an actual case is conducted using attorneys who role-play as prosecutors, defense counsel, and judges. Instructors report that they also benefit from participating in the course. Examiners review their testimony by means of videotapes and receive critiques from trial attorneys. Special thanks are due the Department of Justice for providing many of the attorney-instructors. Five sessions are planned for 1992.

Conferences

Income-Property Lending

This conference presents analytical techniques to equip examiners with the skills to assess the assumptions built into real estate market studies, feasibility studies, and appraisals. The course emphasizes appraisal analysis, construction lending, and construction loan disbursements, workout situations, and problem solving. Topics change from time to time but sessions frequently have included real estate law and environmental issues. This 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.

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 respective fields. Topics vary from session to session. One session, which ran for four and one-half days, was conducted in 1991, and another will be conducted in 1992.

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 bank regulatory agencies. The conference is designed for those 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 conference runs for three and one-half days and 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. In 1991, to facilitate attendance at both conferences, one session of Payment Systems Risk was conducted immediately following an Off-Balance-Sheet Risk conference.

Trust

The Trust Conference emphasizes new initiatives affecting trust banking. Topics vary from session to session and feature guest speakers who are recognized leaders in the trust industry. Attendance is limited to senior examination personnel who examine fiduciary activities. Topics covered in the 1991 sessions were corporate trust, fiduciary liability, tax problems confronting trustees, mutual funds, asset-backed securities, Department of Labor's enforcement practices, and the use of mutual funds by community banks.

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 as well as 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 three regional sessions were conducted in 1991.

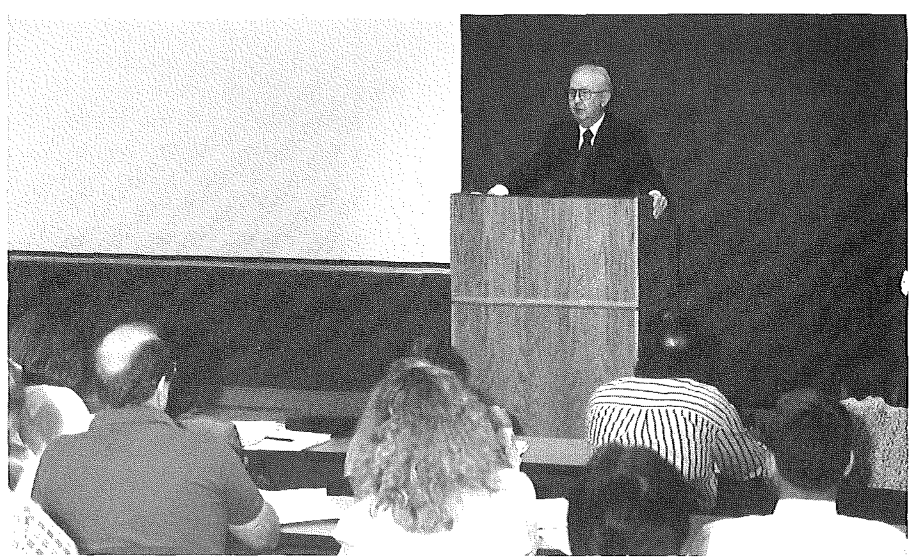
Course Catalogue and Schedule

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



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

Training Sponsored by the FFIEC: Number of Sessions and Total Enrollment, 1979–91

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
Total	**1,104**	**28,884**
Risk Management Planning		
1990	1	Bankers 110 Examiners 0
1991	3	Bankers 411 Examiners 17
Total		**538**

uniform reporting systems for federally supervised financial institutions and their holding companies and subsidiaries. To meet this objective, the Council established the Task Force on Reports, which has also been given 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; application of accounting standards to specific transactions; publication and distribution of reports; development and application of processing standards; monitoring of data quality; assessment of reporting burden; and 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 Reports of Condition and Income (Call Reports). 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 1991, the activities of the task force centered on the Call Reports filed by commercial banks and FDIC-supervised savings banks and the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks. With respect to the Call Reports, the task force completed the implementation of reporting requirements primarily related to asset quality that became effective in the first quarter of 1991, approved the addition of a limited number of new items to the reports for 1992, adopted revised instructions governing nonaccrual status and restructured troubled debt, conducted a competitive bidding process for the selection of a collection agent for electronically submitted reports, and issued for public comment a proposed electronic submission requirement. In addition, the Task Force on Reports, in conjunction with the Task Force on Supervision, issued and later withdrew a proposed reporting standard for both banks and savings associations concerning the return of a nonaccrual loan with a partial charge-off to accrual status.

After approval by the Office of Management and Budget, numerous additions to the Call Report that had been approved by the task force under delegated authority in December 1990 took effect as of March 31, 1991. The reporting revisions largely address real estate lending and related exposures as well as other asset quality information. In particular, banks began to report more detailed information on past due and nonaccrual real estate loans and on real estate loan charge-offs and recoveries. In addition, a new confidential schedule collecting data on highly leveraged transactions was added to the Call Report. Other changes were designed to enhance the banking agencies' understanding of banks' sources of noninterest income and expense, to permit more timely estimation of insured deposits within the banking system, and to provide data for use in economic analyses. In order for banks to have time to understand and prepare for these reporting requirements before their effective date, the task force distributed samples of the new and revised Call Report schedules and the related instructions to banks on February 15, 1991.

During the third and fourth quarters of 1991, the task force considered a variety of recommendations from Call Report users within the three banking agencies and developed a package of possible changes to these reports for implementation in 1992. The package was circulated to interested parties within the agencies and also submitted to the members of the Inter-Association Committee on Bank Accounting, which is composed of bankers from both large and small banks in different parts of the United States who serve on the accounting or reporting committees of several bank trade groups, for their review and comment in mid-November 1991. Based on the feedback received from Committee members and banking agency staff, the task force refined and modified the package of changes, and acting under delegated authority, adopted a modest number of Call Report revisions in December 1991. Subject to approval by the Office of Management and Budget, these changes will become effective as of the March 31, 1992, report date. 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 cardholder relationships, floating-rate debt securities maturing within one year, and certain data for deposit insurance assessments.

On March 1, 1991, the four member agencies of the Council who are the federal regulators of banks and thrift institutions issued joint statements and guidelines to clarify certain supervisory and reporting policies to contribute to a climate in which banks and thrift institutions will make loans to creditworthy borrowers and work constructively with borrowers experiencing financial difficulties, consistent with safe and sound banking practices. The joint statements included guidance on certain reporting issues relating to nonaccrual assets and formally restructured debt. This guidance addressed cash-basis income recognition on nonaccrual assets, multiple loans to one borrower, nonaccrual assets acquired at a discount, the return of formally restructured debt to accrual status, and the disclosure of formally restructured debt yielding a market rate. The task force revised the Glossary entries for "nonaccrual status" and "troubled debt restructurings" in the Call Report instructions to incorporate this reporting guidance and distributed the revised instructions to all banks with the June 30, 1991, Call Report materials.

The March 1, 1991, joint release also indicated that the four agencies, along with the Securities and Exchange Commission (SEC), were planning to solicit public comment on a proposed reporting standard that would allow certain nonaccrual loans to be returned to accrual status once the loans had been reduced to appropriate balances through partial charge-offs. On March 18, 1991, under the auspices of the Task Forces on Reports and Supervision, the Council published a request for comment on this proposed standard. The SEC published its separate request for comment the same day. The Council received eighty-three letters during the comment period, which closed on May 2, 1991. The majority of the comments received that disapproved of the proposal expressed concern that the proposal was not in accordance with generally accepted accounting principles (GAAP) and that differences between regulatory reporting standards and GAAP in the area of nonaccrual loans might be viewed negatively by users of depository institution financial reports. It was also noted that private-sector accounting rulemaking bodies have projects under way that will attempt to resolve issues relating to income recognition on nonaccrual loans and the estimation of credit losses on loans. In addition, the reporting guidance contained in the March 1 joint release provided several of the potential positive effects that the proposal sought to achieve, but did so within the framework of GAAP. In light of these considerations, the Task Forces on Reports and Supervision decided in late July 1991 to withdraw the proposed reporting standard. The Council published a notice of this withdrawal in the *Federal Register* on August 5, 1991. The SEC took comparable action with respect to its proposal.

As authorized by the Council at its December 7, 1990, meeting, the task force arranged for the issuance on January 11, 1991, of a request for proposal (RFP) for the collection of electronically submitted Call Reports for a three-year period (with three one-year renewal options) beginning June 1991. Five proposals were received by the RFP's February 22, 1991, closing date and banking agency staff members evaluated the technical and cost aspects of these proposals during the following month. In mid-April, the Council approved the task force's recommended selection of Electronic Data Systems, Inc. (EDS), as the new collection agent for electronically submitted Call Reports. EDS began providing collection services for Call Reports filed electronically as of the June 30, 1991, report date. The Council's first electronic collection contract was awarded in 1987 and banks have been permitted to transmit their Call Reports electronically to the designated collection agent since March 31, 1988.

Also, at its December 7, 1990, meeting, the Council authorized the task force to draft for its review a *Federal Register* notice seeking comment on a proposed timetable under which banks would be required to submit their Call Reports electronically. This action followed the evaluation by the task force of bank access to computer equipment and the use of Call Report preparation software, bank participation in the Council's electronic submission program, and the program's costs and benefits to banks and to the banking agencies. On September 24, 1991, the Council approved the *Federal Register* notice prepared by the task force and the proposal was published for a forty-five-day comment period on October 4, 1991. The proposed timetable calls for all banks with assets of more than $100 million to submit their Call Reports electronically as of March 31, 1992; all banks with assets of $50 million or more to do so one year later; and all remaining banks to begin filing electronically as of March 31, 1994. The task force is reviewing the more than 120 comment letters received on the proposal and expects to make its recommendations to the Council by the end of January 1992.

In January 1991, the task force began to consider several proposed changes to the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002) for implementation in the reports for the second quarter of 1991. After circulating the proposals to staff members of the banking agencies for their review and comment, the task force approved changes in the FFIEC 002 reporting requirements under delegated authority on February 19, 1991. The revisions consist of a new confidential schedule of highly leveraged transactions, new confidential items on off-balance-sheet transactions with related institutions, and, for FDIC-insured branches only, new items pertaining to deposit insurance assessments. Following approval from the Office of Management and Budget, these reporting changes took effect on June 30, 1991.

During the fourth quarter of 1991, the task force considered a proposal from staff members of the Federal Reserve Board for the addition of a new supplement to the FFIEC 002 report form 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. For several years, foreign banks have conducted a large banking business at branches domiciled in offshore locations. However, these branches are often operated out of the foreign banks' U.S. agency or branch office, albeit with a separate set of books, and their transactions are often conducted mainly with U.S. residents. Therefore, a significant volume of banking business is being conducted in the United States with U.S. residents for which limited supervisory oversight and no statistical reporting is available. Among the purposes of the proposed supplement is the collection of information that will assist the U.S. regulators in their supervision of U.S. offices of foreign banks that are managed jointly with offshore branches. After review of the proposal by staff members of the banking agencies and further modifications and revisions, the task force approved the FFIEC 002 supplement under delegated authority on November 19, 1991. Subject to approval from the Office of Management and Budget, the new supplement will be implemented as of March 31, 1992.

As for task force activities in 1992, the task force plans to seek Council approval by the end of January to solicit public comment on a proposed change to the Call Report definition of a loan secured by one- to four-family residential property. The four federal regulators of banks and thrift institutions are considering whether to lower the risk weight from 100 percent to 50 percent for certain loans made for the construction of one- to four-family residences that have been presold to purchasers with firm commitments for permanent financing. Because the risk-based capital guidelines issued by the Federal Reserve Board and by the Federal Deposit Insurance Corporation accord 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 definition 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 would need to specifically revise their risk-based capital rules to make this change and they are likewise seeking public comment on this proposal. The four agencies' final decision on this risk-based capital issue will be made after evaluating the comments that are received.

The Federal Deposit Insurance Corporation Improvement Act of 1991 contains several provisions that establish accounting, reporting, and disclosure requirements relating to reports filed by depository institutions with the member agencies of the Council. Section 221 of the act also requires the Council to perform a study on regulatory burden that must be submitted to the Congress within one year of enactment. Because of the responsibility of the task force for various reports that the agencies collect from depository institutions, it expects to be actively involved in the study as well as in the implementation of these new requirements during 1992.

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 standing subcommittees to address electronic data processing issues. Ad hoc working groups are created to handle particular projects and assignments as needed.

Activities of the Task Force

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The electronic data processing (EDP) working group was officially revisions in December 1991. Subject to approval by the Office of Management and Budget, these changes will become effective as of the March 31, 1992, report date. 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 cardholder relationships, floating-rate debt securities maturing within one year, and certain data for deposit insurance assessments.

On March 1, 1991, the four member agencies of the Council who are the federal regulators of banks and thrift institutions issued joint statements and guidelines to clarify certain supervisory and reporting policies to contribute to a climate in which banks and thrift institutions will make loans to creditworthy borrowers and work constructively with borrowers experiencing financial difficulties, consistent with safe and sound banking practices. The joint statements included guidance on certain reporting issues relating to nonaccrual assets and formally restructured debt. This guidance addressed cash-basis income recognition on nonaccrual assets, multiple loans to one borrower, nonaccrual assets acquired at a discount, the return of formally restructured debt to accrual status, and the disclosure of formally restructured debt yielding a market rate. The task force revised the Glossary entries for "nonaccrual status" and "troubled debt restructurings" in the Call Report instructions to incorporate this reporting guidance and distributed the revised instructions to all banks with the June 30, 1991, Call Report materials.

The March 1, 1991, joint release also indicated that the four agencies, along with the Securities and Exchange Commission (SEC), were planning to solicit public comment on a proposed reporting standard that would allow certain nonaccrual loans to be returned to accrual status once the loans had been reduced to appropriate balances through partial charge-offs. On March 18, 1991, under the auspices of the Task Forces on Reports and Supervision, the Council published a request for comment on this proposed standard. The SEC published its separate request for comment the same day. The Council received eighty-three letters during the comment period, which closed on May 2, 1991. The majority of the comments received that disapproved of the proposal expressed concern that the proposal was not in accordance with generally accepted accounting principles (GAAP) and that differences between regulatory reporting standards and GAAP in the area of nonaccrual loans might be viewed negatively by users of depository institution financial reports. It was also noted that private-sector accounting rulemaking bodies have projects under way that will attempt to resolve issues relating to income recognition on nonaccrual loans and the estimation of credit losses on loans. In addition, the reporting guidance contained in the March 1 joint release provided several of the potential positive effects that the proposal sought to achieve, but did so within the framework of GAAP. In light of these considerations, the Task Forces on Reports and Supervision decided in late July 1991 to withdraw the proposed reporting standard. The Council published a notice of this withdrawal in the *Federal Register* on August 5, 1991. The SEC took comparable action with respect to its proposal.

As authorized by the Council at its December 7, 1990, meeting, the task force arranged for the issuance on January 11, 1991, of a request for proposal (RFP) for the collection of electronically submitted Call Reports for a three-year period (with three one-year renewal options) beginning June 1991. Five proposals were received by the RFP's February 22, 1991, closing date and banking agency staff members evaluated the technical and cost aspects of these proposals during the following month. In mid-April, the Council approved the task force's recommended selection of Electronic Data Systems, Inc. (EDS), as the new collection agent for electronically submitted Call Reports. EDS began providing collection services for Call Reports filed electronically as of the June 30, 1991, report date. The Council's first electronic collection contract was awarded in 1987 and banks have been permitted to transmit their Call Reports electronically to the designated collection agent since March 31, 1988.

Also, at its December 7, 1990, meeting, the Council authorized the task force to draft for its review a *Federal Register* notice seeking comment on a proposed timetable under which banks would be required to submit their Call Reports electronically. This action followed the evaluation by the task force of bank access to computer equipment and the use of Call Report preparation software, bank participation in the Council's electronic submission program, and the program's costs and benefits to banks and to the banking agencies. On September 24, 1991, the Council approved the *Federal Register* notice prepared by the task force and the proposal was published for a forty-five-day comment period on October 4, 1991. The proposed timetable calls for all banks with assets of more than $100 million to submit their Call Reports electronically as of March 31, 1992; all banks with assets of $50 million or more to do so one year later; and all remaining banks to begin filing electronically as of March 31, 1994. The task force is reviewing the more than 120 comment letters received on the proposal and expects to make its recommendations to the Council by the end of January 1992.

established in 1979. It sponsors symposiums, coordinates the examination of multiregional data processing servicers, and maintains the FFIEC EDP Examination Handbook. Each year, the group sponsors an Information Systems and Technology Conference. The June 1990 conference focused on current developments in EDP and featured nationally recognized experts as speakers. In September, this working group held a symposium on the EDP risk in ATM switching systems. During 1990, the working group developed an Interagency Statement on EDP Risk in Mergers and Acquisitions and an updated EDP Interagency Examination Scheduling and Distribution Policy. These documents were approved by the task force. The annual update to the FFIEC EDP Examination Handbook was completed in December and will be distributed in January 1992.

In 1991, several projects that had been initiated earlier were completed. The Trading vs. Investment working group, formed in 1989, developed a proposed Supervisory Policy Statement on Securities Activities. This policy statement, designed to promote uniform treatment by the five agencies represented on the task force, was published for public comment in January and again in August. The Council approved the policy statement on November 22.

The Task Force on Supervision reached an agreement with the Securities and Exchange Commission on how supervisory information and documents will be released to that agency, subject to an agreement to maintain the confidentiality of the data. In March, the Task Force on Supervision approved a proposal asking for public comment on establishing criteria under which a federally supervised depository institution could return nonaccrual loans with partial charge-offs of principal to accrual status without first recovering the charge-off on becoming current in accordance with the contractual loan terms

Work continues in several other areas. A working group, approved in late 1991, with the concurrence of the Council, initiated a review of the existing policies of the agencies on the determination of adequate allowances for loan and lease losses. The objective of this project is to determine if more definite and consistent guidance should be issued to examiners and depository institutions. Another working group continues to address the feasibility of developing a joint policy on the appropriate level of fidelity-bond coverage for financial institutions. In August, a working group was formed to develop capital rules for recourse transactions that are consistent among the agencies.

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 bank supervisory purposes. It is used to monitor the condition and performance of banking institutions on a quarterly basis and to identify potential or emerging financial problems in those institutions. A UBPR is produced quarterly for each commercial 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.

During 1991, the task force and the task force working group completed four projects besides carrying out the routine responsibility of overseeing the quarterly production of UBPRs:

- A rolling-four-quarters earnings analysis was added to the UBPR. This additional page presents a supplemental earnings analysis tool that is particularly useful in analyzing banks whose earnings vary significantly from quarter to quarter.
- The UBPR analysis of noncurrent loans and leases was expanded to incorporate new data collected effective with the March 1991 call report. Detailed information on noncurrent real estate loans by type, noncurrent credit card loans, and noncurrent foreign loans as well as other related information is now displayed in the UBPR.
- A new UBPR product, the percentile distribution report, was released this year. This report provides more detailed statistical data on the distribution of key bank performance measures by bank size and state. The percentile distribution report is designed to be used in conjunction with the UBPR to assist the bank regulator in comparing relative performance of an individual bank with the industry. The report also is a useful tool for analyzing trends in the condition and performance of the banking industry as a whole.
- A supplement to the UBPR Users Guide was prepared and distributed to the regulatory agencies and to commercial banks. The supplement provides documentation for all changes made to the UBPR in 1991.

Several projects are planned for 1992 that will provide significant enhancements to the UBPR.

- Review of current tax-equivalency calculation
- Review of current peer groupings, some redefinition of asset groupings, and addition of line-of-business grouping
- Development of additional analytical tools for the UBPR

such as expanded loan loss analysis and enhanced interest-sensitivity analysis

- Expansion of the number of statistical reports available to both the banking regulators and the public
- Revision of the UBPR User's Guide
- Review of regulatory agency information systems to determine if standardization is possible
- Review of UBPR revision process to determine if system changes may be implemented earlier in the production cycle.

While the UBPR is primarily a supervisory tool for the three federal regulatory agencies, it is also used extensively by others. Copies of the UBPR are routinely distributed to banks and state banking regulators as described below in the distribution policy. Also, during 1991 more than 4,000 requests from the general public for copies of UBPRs were processed. Several institutions also acquired UBPR data in electronic form.

The task force will continue to ensure the 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.
- UBPRs and call report data will be made available to the public for a fee.

Copies of UBPRs may be purchased by the public for $40. A User's Guide, which describes the content of the report, is also made publicly available for a charge of $25. The Peer Group Report, showing average ratios for all peer groups, is available for a charge of $60. The State Average Report is available for a charge of $40. Peer Group and State Average Percentile Distribution Reports are available for $60.00 and $40.00 respectively. Standardized UBPR quarterly data on magnetic tape are available for a charge of $400 per disclosure tape. Information on ordering items may be obtained by calling (202) 357-0111 or writing to the Council:

Federal Financial Institutions
Examination Council
2100 Pennsylvania Ave., N.W.
Suite 200
Washington, D.C. 20037

THE FEDERAL FINANCIAL INSTITUTIONS REGULATORY AGENCIES AND THEIR SUPERVISED INSTITUTIONS

The five federal regulatory agencies represented on the Council have primary federal supervisory jurisdiction over about 28,000 domestically chartered banks, thrift institutions, and credit unions. On June 30, 1991, these financial institutions held total assets of more than $5.3 trillion. The Federal Reserve Board and the Office of Thrift Supervision 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 also 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 Board of Governors of the Federal Reserve System.

The Board of Governors of the Federal Reserve System (FRB)

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. Its activities that are most relevant to the work of the Council are the following:

- The FRB examines, supervises, and regulates state member banks, bank holding companies, and Edge and agreement corporations.
- It approves or denies applications for mergers, acquisitions, and changes in control by state member banks and bank holding companies.
- It approves or denies applications for foreign operations of member banks.
- It has supervisory responsibility for U.S. offices of foreign banks.

Implementation of policy decisions is carried out 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 (FDIC)

The FDIC was created by the Congress 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. Beginning in 1993, not 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. Beginning in 1993, the FDIC must establish a risk-based assessment system for all depository institutions, as required under the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA).

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 also 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, future earnings prospects, 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 insured 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 is also charged, in consultation with other federal supervisory agencies, to establish 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 (NCUA)

The NCUA, established by an act of 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 95 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 (OCC)

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 on the boards of the Federal Deposit Insurance Corporation and the Resolution Trust Corporation and is director of the Neighborhood Reinvestment Corporation.

The OCC is the regulator and supervisor of the national banking system. There are currently about 3,900 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 Office of the Comptroller of the Currency 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)

The 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 Financial Institutions Reform, Recovery, and Enforcement Act. In that act, the Congress gave the OTS authority to charter federal thrift institutions and serve as the primary regulator of the approximately 2,200 federal and state-chartered thrift institutions belonging to the Savings Association Insurance Fund (SAIF). The 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, and their adherence to safe and sound practices. 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 Federal Deposit Insurance Corporation and the Resolution Trust Corporation and is also a Director of the Neighborhood Reinvestment Corporation.

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

- Washington Operations includes supervisory operations, policy, information resources management, public affairs, Congressional affairs, and the administration program areas of OTS.
- 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 established and maintained by the Office of Training and Development in Dallas. 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.

ASSETS, LIABILITIES AND NET WORTH of U.S. Commercial Banks and Thrift Institutions as of June 30, 1991[1]

Billions of dollars

	Total	U.S. Commercial Banks[2]			U.S. Branches and Agencies of Foreign Banks	BIF-Insured Savings Banks	SAIF-Insured Institutions			Credit Unions[3]	
							Savings and Loan Associations				
		National	State Member	State Non-Member			Federal Charter	State Charter	Savings Banks	Federal Charter	State Charter
Total assets	**5,381**	**1,964**	**573**	**838**	**648**	**218**	**256**	**150**	**515**	**140**	**79**
Total loans and lease receivables (net)	3,350	1,242	310	504	280	150	207	120	408	82	47
Loans secured by real estate[4]	1,759	506	95	246	52	132	200	113	369	29	17
Consumer loans[5]	519	232	43	112	*	8	7	6	28	53	30
Commercial and industrial loans	773	368	113	110	154	8	1	2	15	1	1
All other loans and lease receivables[6]	366	170	70	47	77	2	†	†	†	*	*
LESS: Allowance for possible loan and lease losses	69	34	11	10	3	2	2	1	4	1	1
Federal funds sold and securities purchased under agreements to resell	193	90	28	36	22	5	3	2	6	1	*
Cash and due from depository institutions[7]	461	171	55	58	155	6	2	2	7	3	2
Securities and other obligations[8]	896	324	104	199	53	46	26	17	49	50	28
U.S. government obligations[9]	573	246	70	152	20	30	9	5	18	15	8
Obligations of state and local governments[10]	78	38	12	26	*	1	*	*	1	‡	‡
Other securities	273	40	22	21	33	15	17	11	30	35	19
Other assets[11]	483	137	76	41	138	13	18	10	44	4	2
Total liabilities	**5,070**	**1,840**	**539**	**770**	**648**	**202**	**241**	**141**	**486**	**130**	**73**
Total deposits and shares[12]	4,030	1,534	401	692	302	183	197	125	397	127	72
Federal funds purchased and securities sold under agreements to repurchase	359	142	59	37	86	5	9	4	16	1	*
Other borrowings[13]	404	99	43	28	118	12	31	9	63	1	*
Other liabilities[14]	277	65	36	13	142	2	5	3	10	1	*
Net worth[15]	**310**	**124**	**34**	**68**	*	**16**	**15**	**8**	**29**	**10**	**6**
Memorandum: Number of institutions reporting	28,402	3,918	987	7,244	594	451	628	770	818	8,377	4,615

Symbols Appearing in Tables

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

Footnotes to Tables

1. The table covers 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 covered whether or not insured. The table excludes Edge 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 instituions, 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."

INCOME AND EXPENSES of U.S. Commercial Banks and Thrift Institutions for the twelve months ending June 30, 1991[1]
Billions of dollars

		U.S. Commercial Banks[2]			U.S. Branches and Agencies of Foreign Banks[16]	BIF-Insured Savings Banks	SAIF-Insured Institutions			Credit Unions[3]	
							Savings and Loan Associations				
	Total	National	State Member	State Non-Member			Federal Charter	State Charter	Savings Banks	Federal Charter	State Charter
Operating income	503	218	60	86	...	22	27	15	54	14	7
Interest and fees on loans	334	137	32	56	...	16	22	13	44	9	5
Other interest and dividend income	93	41	16	16	...	5	3	2	5	3	2
All other operating income	75	40	12	14	...	1	2	*	5	1	*
Operating expenses	479	207	56	78	...	23	26	16	55	12	6
Salaries and benefits	66	31	10	12	...	2	2	1	5	2	1
Interest on deposits and shares	223	91	14	39	...	13	15	10	30	7	4
Interest on other borrowed money	56	23	5	8	...	3	1	1	4	1	*
Provision for loan and lease losses	46	23	5	8	...	3	1	1	4	1	*
All other operating expenses	86	39	15	13	...	3	3	2	8	2	1
Net operating income	**24**	**11**	**4**	**8**	**...**	**(2)**	**1**	**(10**	*****	**2**	**1**
Securities gains and losses	*	*	*	*	...	*	*	*	*	*	*
Income taxes	10	4	1	3	...	*	1	*	1	‡	‡
Net income	**13**	**7**	**3**	**5**	**...**	**(2)**	*****	**(1)**	**(1)**	**1**	**1**
Memorandum:: Number of institutions reporting	27,808	3,918	987	7.244	...	451	628	770	818	8,377	4,615

8. Government and corporate securities, including mortgage-backed securities and loans to states and political subdivisions and to 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 of, and loans to, 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 accounts, 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 and agreement 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 profits for SAIF-insured institutions.

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

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

APPENDIX A. RELEVANT STATUTES

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 examination 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 unaccept-

able 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 conditions 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 report, 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 1-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 Coun-

cil;" 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 citizen 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 facilitate 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 comprised 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 comprised 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 comprised 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 comprised 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 is 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.

(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 2 years.

APPENDIX B. 1991 AUDIT REPORT

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, 1991 and 1990, 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 assurnace 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, 1991 and 1990, 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, 1992

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
Balance Sheets as of December 31, 1991 and 1990

ASSETS

	1991	1990
CURRENT ASSETS		
Cash, held by Board of Governors of the Federal Reserve System	$165,507	$179,905
Accounts receivable from member organizations	264,850	141,679
Other accounts receivable	64,957	142,574
Prepaid expenses	31,463	—
Total current assets	526,777	464,158
FURNITURE AND EQUIPMENT		
Furniture and equipment, at cost	133,597	101,323
Less accumulated depreciation	86,131	77,646
Total furniture and equipment	47,466	23,677
Total assets	$574,243	$487,835

LIABILITIES AND FUND BALANCE

	1991	1990
CURRENT LIABILITIES		
Accounts payable to member organizations	$538,631	$362,086
Other accounts payable and accrued liabilities	56,229	89,770
Accrued annual leave	64,591	40,938
Total current liabilities	659,451	492,794
FUND BALANCE (DEFICIT)	(85,208)	(4,959)
Total liabilities and fund balance	$574,243	$487,835

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, 1991 and 1990

	1991	1990
REVENUES		
Assessments to member organizations	$1,205,200	$ 731,000
Tuition	1,071,116	956,097
Other revenue (Note 4)	799,314	308,357
Total revenues	3,075,630	1,995,454
EXPENSES		
Salaries and related benefits	983,501	838,559
Data processing	1,205,083	671,688
Rental of office space	371,147	298,202
Professional fees	141,937	104,294
Travel	95,471	99,241
Rental and maintenance of office equipment	64,173	55,046
Printing	62,092	55,395
Administrative fees	40,000	34,029
Postage	35,525	25,541
Books and subscriptions	35,094	34,227
Office and other supplies	32,310	33,321
Telephone	21,040	20,738
Depreciation	8,485	12,358
Miscellaneous	60,021	55,755
Total expenses	3,155,879	2,338,394
REVENUES (UNDER) EXPENSES	(80,249)	(342,940)
FUND BALANCE (DEFICIT), Beginning of year	(4,959)	337,981
FUND BALANCE (DEFICIT), End of year	$ (85,208)	$ (4,959)

The accompanying notes are an integral part of these statements.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
Statements of Cash Flows Increase (Decrease) in Cash for the Years Ended December 31, 1991, and 1990

	1991	1990
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenues (under) expenses	$ (80,249)	$ (342,940)
Adjustments to reconcile revenues (under) expenses to net cash provided by operating activities:		
Depreciation	8,485	12,358
Increase in accrued annual leave	23,653	9,108
Increase in accounts receivable and prepaid expenses	(77,017)	(53,384)
Increase in accounts payable and accrued liabilities	143,004	277,313
Net cash provided by (used in) operating activities	17,876	(97,545)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposals of furniture and equipment	—	166
Capital expenditures	(32,274)	(4,511)
Net cash used in provided by investing activities	(32,274)	(4,345)
NET (DECREASE) IN CASH	(14,398)	(101,890)
CASH BALANCE, Beginning of year	179,905	281,795
CASH BALANCE, End of year	$ 165,507	$179,905

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 here-after 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

(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 three 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.

(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 $241,040 in 1991 and $146,200 in 1990.

The Board of Governors of the Federal Reserve System provided administrative support services to the Council at a cost of $40,000 for 1991 and $34,000 for 1990.

Member organizations provide office space, data processing, and printing services to the Council. The Council paid member organizations $1,430,700 in 1991 and $892,100 in 1990 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.

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

	1991	1990
Home Mortgage Disclosure Act	$515,511	$ 77,000
Uniform Bank Performance Report	159,019	150,761
Appraisal Subcommittee	112,607	67,976
Miscellaneous	12,177	12,620
	$799,314	$308,357

The Council produces and distributes reports under the Home Mortgage Disclosure Act (HMDA). The Council received $180,048 in 1991 and $77,000 in 1990 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 1991 was received from the member agencies.

The Council coordinated and provided certain administrative support to the UBPR project. The Council received $159,019 in 1991 and $150,761 in 1990 for operating expenses incurred in support of the UBPR project.

The Council provided space and certain administrative support to the newly organized Appraisal Subcommittee. The Council received $112,607 in 1991 and $67,976 in 1990 from the Appraisal Subcommittee for those services.

(5) Commitments

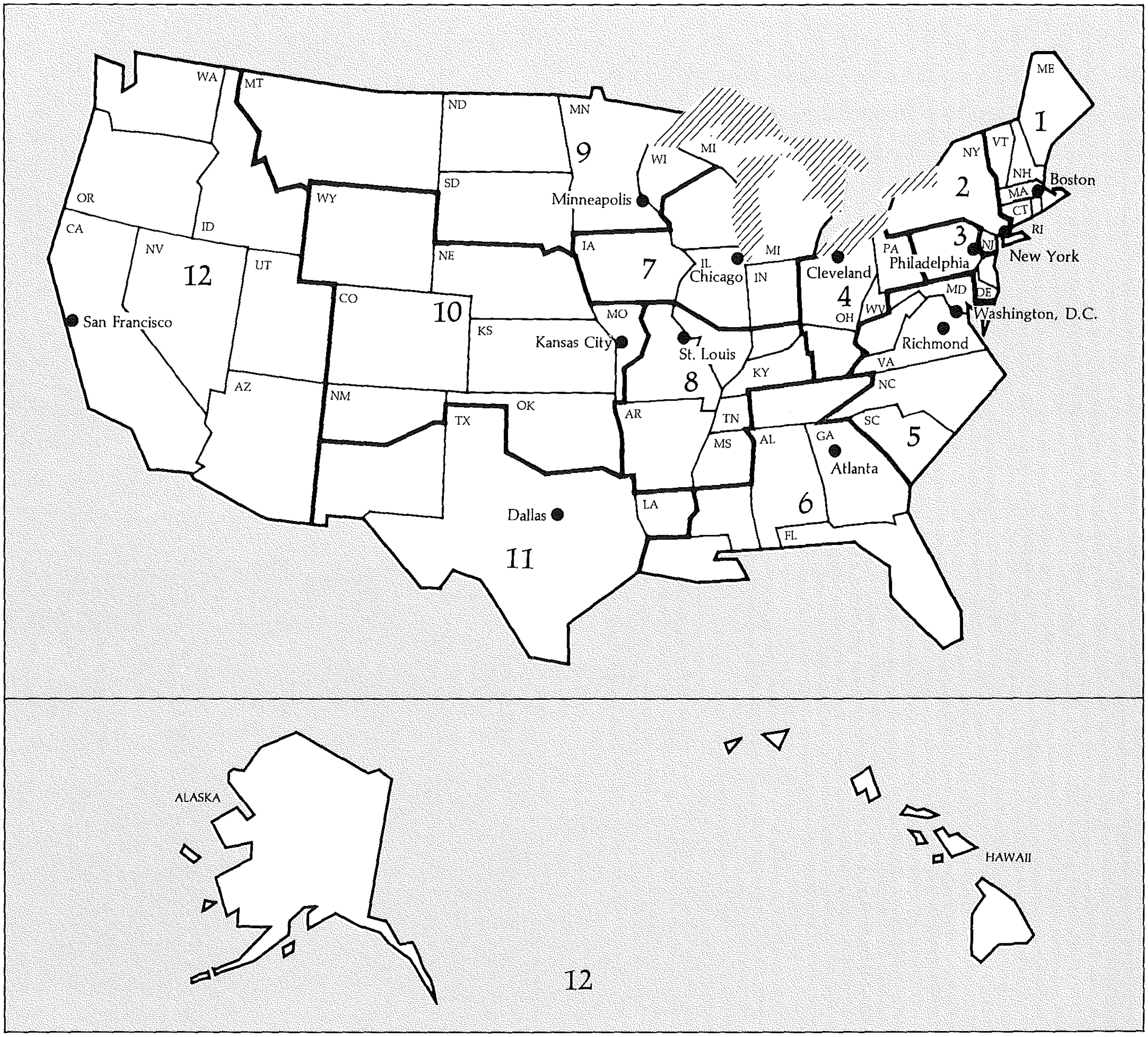
The Council has entered into several operating leases to secure office and classroom space for periods ranging from two to six years. Minimum future rental commitments under those operating leases having an initial or remaining noncancelable lease term in excess of one year at December 31, 1991, are as follows:

1992	$ 455,249
1993	476,317
1994	487,166
1995	489,336
1996	521,884
	$2,429,952

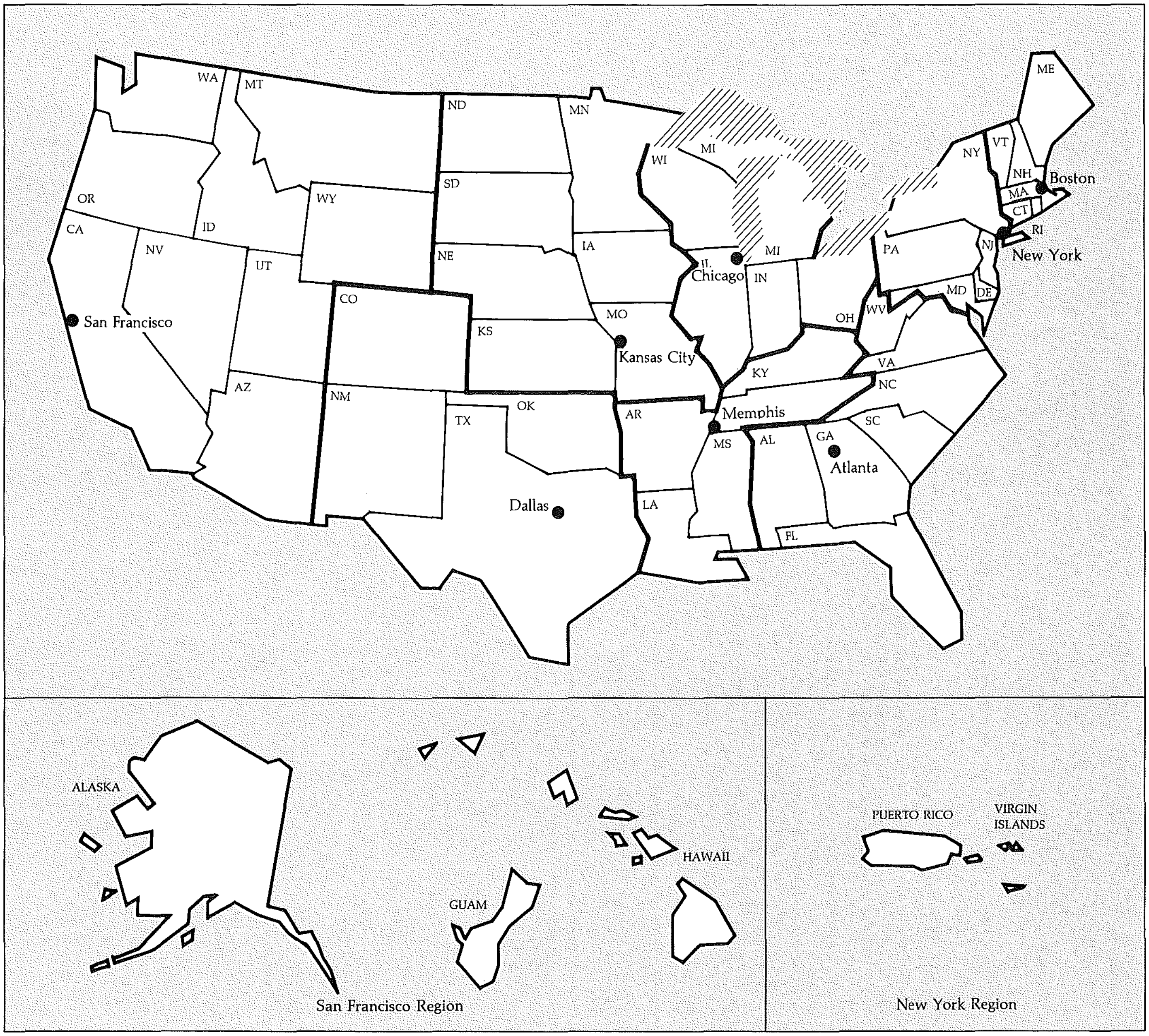
Rental expenses under these operating leases were $344,800 and $283,900 in 1991 and 1990, respectively.

APPENDIX C. MAPS OF AGENCY REGIONS AND DISTRICTS

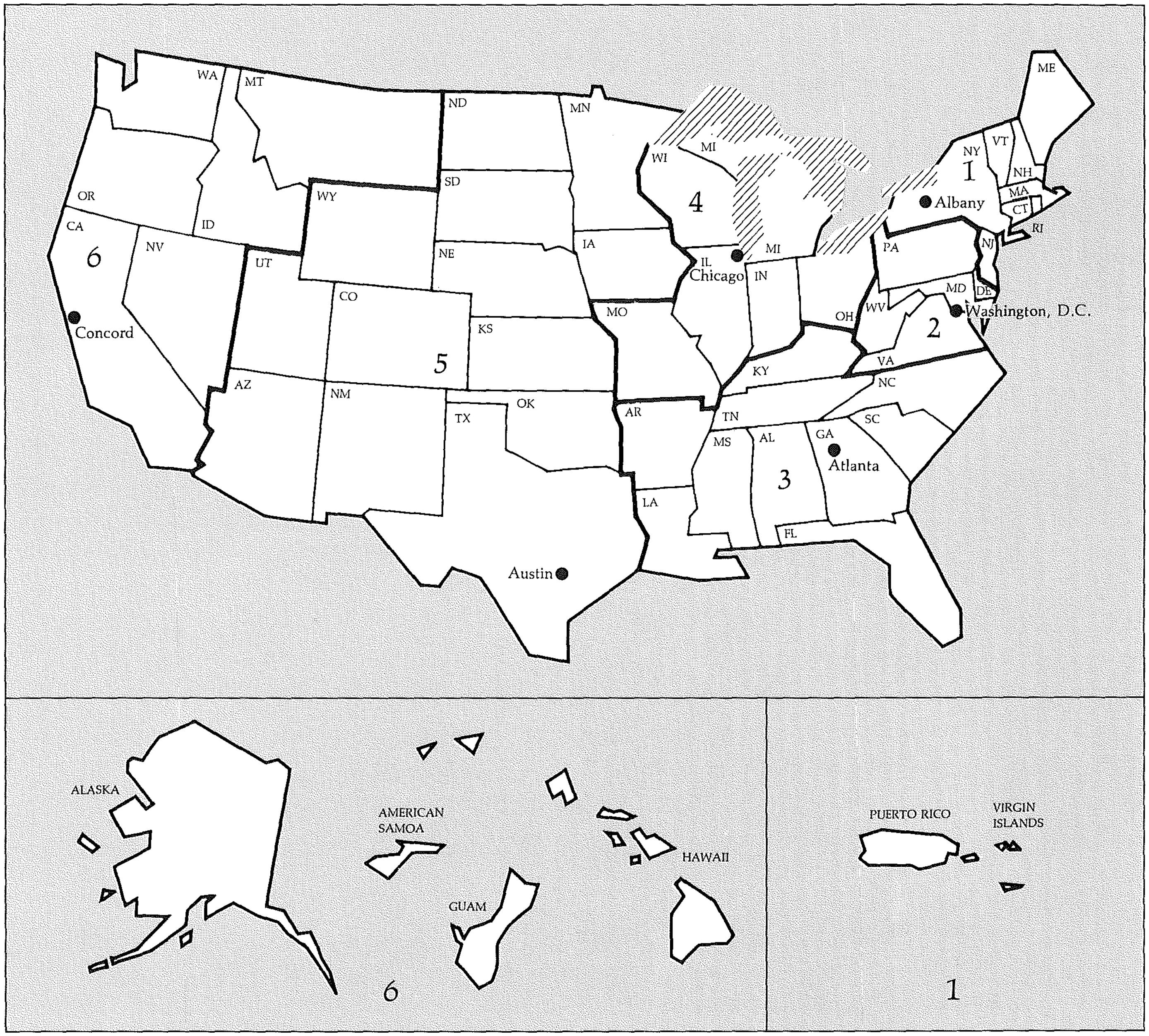
THE FEDERAL RESERVE SYSTEM DISTRICTS



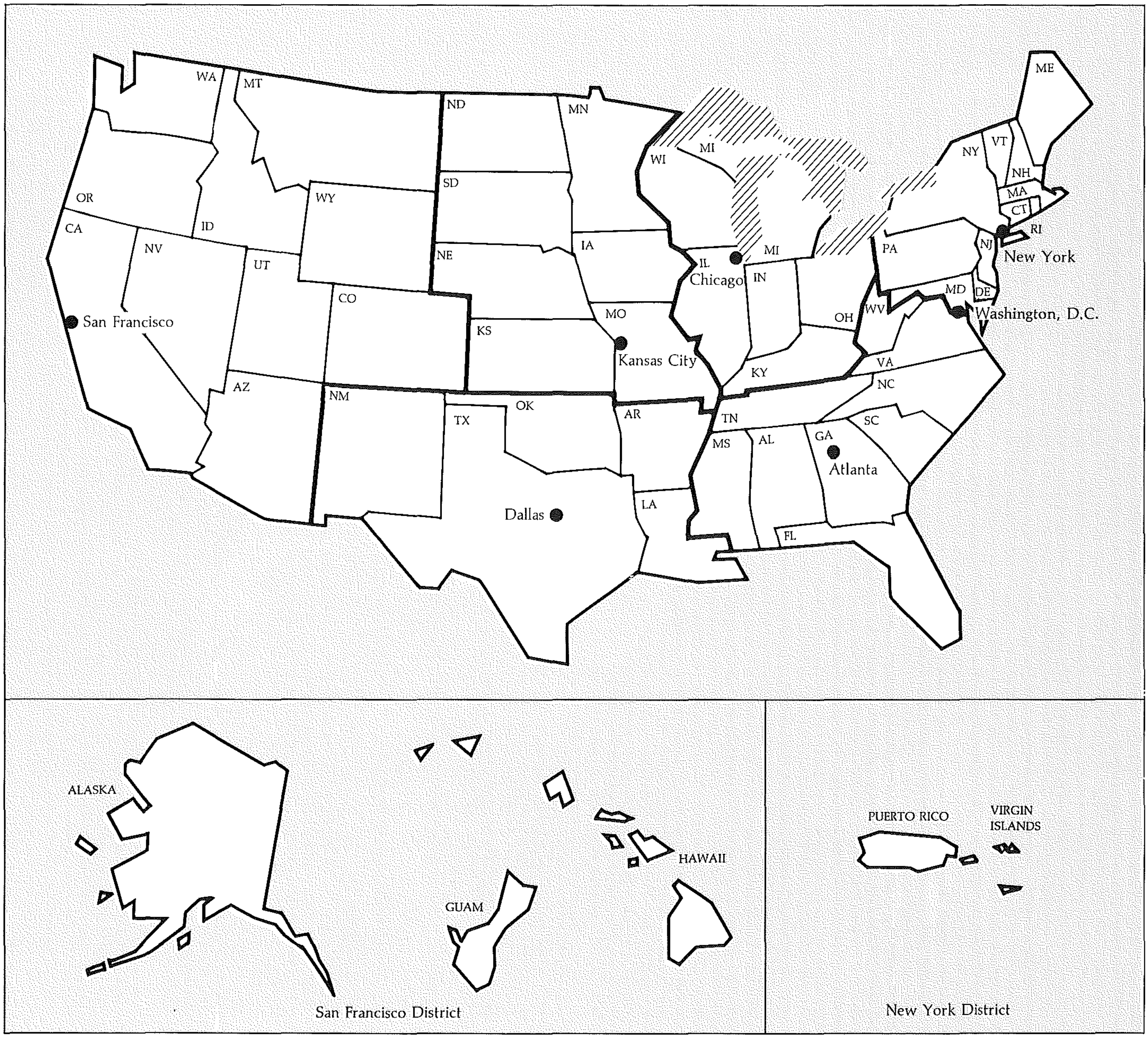
FEDERAL DEPOSIT INSURANCE CORPORATION REGIONS (SUPERVISION)



NATIONAL CREDIT UNION ADMINISTRATION



COMPTROLLER OF THE CURRENCY DISTRICT ORGANIZATION



OFFICE OF THRIFT SUPERVISION DISTRICTS