

Speeches & Testimony

**Statement of Sheila C. Bair, Chairman, Federal Deposit Insurance Corporation on The State of The Banking Industry: PART II before the Committee on Banking, Housing and Urban Affairs, U.S. Senate
June 5, 2008
Room 538, Dirksen Senate Office Building**

The FDIC anticipates a rise in the number of problem institutions over the next few quarters, but so far the number of problem institutions remains well below levels seen during previous economic downturns.⁴ As of the end of March, there were 90 institutions with total assets of \$26.3 billion on the FDIC's Problem Bank List, up from 76 institutions with total assets of \$22.2 billion at the end of 2007. During the first quarter, twenty institutions were added and six were removed from the problem list. Three-quarters of the new problem institutions had CRE and/or C&D concentrations and, given the number of institutions with concentrations in these loan types, this trend is expected to continue. Problem institutions are currently scattered across the country; however, new additions to the list are more likely to come from the areas experiencing the highest levels of economic stress. The number of problem institutions -- and to a greater degree, the total assets of problem institutions -- are expected to rise over the coming quarters. However, the current list is small in comparison to the 1,430 institutions with combined assets of \$837 billion that were listed at year-end 1991. Also, institutions on the problem list receive heightened supervisory attention, and most ultimately do not fail.

Last year, the FDIC closed three insured institutions with total assets of \$2.6 billion and losses currently estimated at \$178 million. So far this year, four institutions have failed, with total assets of \$2.2 billion and estimated losses of \$225 million. The number of failures in recent years has been unusually low by historic standards, and we expect that bank failure activity in the near term will be higher. There is also the possibility that future failures could include institutions of greater size than we have seen in the recent past.