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Bank and Savings and Loan Insurance Funds: Financial Condition and Proposed Reforms

Statement of
Frederick D. Wolf
Assistant Comptroller General
Accounting and Financial Management

Before the
Committee on Banking, Finance and Urban Affairs
House of Representatives

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Mr. Chairman and Members of the Committee:

We are pleased to appear today to discuss issues related to the nation's depository institutions industry. This hearing is extremely timely as we attempt to deal with the worst crisis this industry has faced since the Depression. Today, my remarks will cover four major areas: the financial condition of the banking industry and its insurer, the Federal Deposit Insurance Corporation (FDIC); the financial condition of the savings and loan (S&L) industry and its insurer, the Federal Savings and Loan Insurance Corporation (FSLIC); our recommendations for solving the S&L crisis; and our observations on the Administration's plan for solving the S&L crisis.

The last decade has been a turbulent period for all of our nation's depository institutions, both banks and S&Ls. During this time, we experienced an extended period of extremely high inflation and interest rates which was followed by a period of lower inflation and interest rates. Moreover, certain sectors of the economy, primarily the agricultural and energy sectors, especially in the Southwest, have suffered, and continue to suffer, problems which have adversely affected the financial health of both banks and S&Ls. At the same time, regulatory and technological changes have revolutionized the entire field of finance, blurring the distinction between classes of financial institutions and increasing competition for deposits. Of the regulatory changes occurring during this decade, deregulated interest rates and expanded powers for S&Ls have had the most significant impact. Unfortunately, one of the results of events during this turbulent period has been increasing numbers of bank and S&L failures accompanied by a large increase in the number of insolvent S&Ls saddled with poor quality assets.

However, bank and S&L regulators have taken two very different approaches to deal with failing institutions. When banks became insolvent, they were promptly closed or provided assistance under closely supervised arrangements. In contrast, facing massive industry losses, S&L regulators have generally resisted closing failed S&Ls because of a lack of funds and their vain hope that the fortunes of these institutions would reverse themselves. This general approach to the S&L industry problem was accompanied by relaxing or even waiving capital requirements for weak institutions, promoting the use of accounting techniques that hid the true financial condition of insolvent or weak S&Ls, and providing inadequate oversight and supervision.

THE FINANCIAL CONDITION OF BANKS AND THE FDIC

While the nation's banking industry and its insurer, FDIC, have been adversely affected by the events of the last decade, they remain fairly healthy. Of the factors discussed above, downturns in certain sectors of the economy, and their resulting impact on the real estate sector, accompanied by the significant difficulties certain less developed countries (LDCs) have been experiencing in servicing their debt to many of the larger commercial banks, have had the most significant effect on the banking industry. Of the nation's 13,687 FDIC-insured banks at September 30, 1988, 1,780, primarily in the Southwest, were unprofitable. Nonetheless, during the first 9 months of 1988, the commercial banking industry earned $18.7 billion, compared to 1987 earnings of less than $4 billion. Overall, industry earnings increased in every geographical region except the Southwest.

As of September 30, 1988, the almost 13,700 insured banks had assets of $3.4 trillion, and capital, as measured by generally accepted accounting principles (GAAP), of $214.5 billion, for a capital-to-assets ratio of 6.4 percent. At September 30, 1988, only 81 FDIC-insured banks with assets of $20.6 billion and GAAP capital of negative $584 million were insolvent. There were also 140 thinly capitalized banks (banks with GAAP capital between 0 and 2 percent) with assets of $19.4 billion and GAAP capital of $233 million. Overall, at September 30, 1988, less than 2 percent of all FDIC-insured banks, with about 1 percent of industry assets, were insolvent or thinly capitalized. (See Attachment I for a summary of the financial condition of FDIC-insured banks and FSLIC-insured S&Ls.)

Between September 30 and December 31, 1988, FDIC acted on 39 of the 81 insolvent institutions with assets of $18.3 billion and negative capital of $482 million, and on 17 of the 140 barely solvent banks with $4.9 billion in assets and capital of $53 million.

Despite the banking industry's relatively strong financial condition overall, during the 1980s, banks have been failing at record rates. From 1934, the year FDIC was created, through 1979, only 558 FDIC-insured banks failed. From 1980 through 1988, 879 FDIC-insured banks, including 424 in the last 2 years alone, failed or received assistance from FDIC. These failures and assistance transactions have obviously had an adverse affect on FDIC. Preliminary results of our audit of FDIC's 1988 financial statements show that FDIC incurred its first loss since its inception--$4.2 billion. This loss was primarily due to the $7.3 billion cost associated with 1988 failure and assistance transactions, including over $3.0 billion for the failed First RepublicBank Corporation of Dallas, Texas; and to $2.8 billion set aside for several probable but unexecuted assistance transactions, primarily in the Southwest.

FDIC's $4.2 billion net loss reduced its insurance fund balance to $14.1 billion as of December 31, 1988. As a result, the ratio of the insurance fund balance to insured deposits declined to its lowest level ever, estimated to be .83 percent.

While we believe that FDIC's resources are adequate to handle current and near-term identifiable needs, as a result of the decline in FDIC's insurance fund balance, we believe that it is imperative to take steps to increase FDIC's insurance fund to an adequate level. As evidenced by the S&L industry's and FSLIC's problems, delaying action to increase FDIC's insurance fund could be costly.

FDIC has already assisted or set aside funds for all of the large problem banks in the Southwest; and it does not have a significant exposure related to insolvent or barely solvent banks. In addition, while the problems LDCs are having in servicing their debt have not been solved, banks have taken actions to minimize the impact of these problems. Since 1982, U.S. banks in general have curtailed new loans to LDCs and increased their capital and loan loss allowances, while some banks have substantially eliminated LDC loans from their portfolios. At the same time, some further losses and write downs of this debt will likely be incurred and could place a strain on banks holding a significant amount of LDC debt. Therefore, while the potential impact of the LDC debt problem on FDIC has been reduced, it is still an area that must be monitored.

THE FINANCIAL CONDITION OF S&LS AND FSLIC

While the banking industry and FDIC have weathered the storm of the 1980s and emerged in relatively sound condition, the S&L industry and FSLIC have not. In addition to the economic volatility and technological revolution that affected banks, many S&Ls have been adversely affected by the manner in which they reacted to expanded lending and investment powers. Specifically, many S&Ls began to rapidly diversify their portfolios away from traditional residential mortgage loans into potentially more profitable but far riskier activities, primarily acquisition, development, and construction activities and speculative land loans, many of which were predicated upon continued rapid inflation in real estate values to make them economically viable. In many cases, this diversification into riskier activities was coupled with additional factors which increased the risks and, ultimately, the losses to these institutions. These factors included:

-- poor underwriting and lending practices,

-- overreliance on volatile, high-cost funding sources, often to fund rapid growth,

-- noncompliance with laws and regulations,

-- substantial insider and related party transactions and fraud, and

-- weak and ineffective regulatory oversight and supervision.

While the decline in interest rates in the early 1980s began to correct S&Ls' interest rate spread problems, the concurrent expansion into riskier activities, combined with the above factors, resulted in S&Ls incurring substantial losses on their loans and investments. These losses have been increasing dramatically, and the outcome has been an alarming number of S&L failures and a large segment of the industry saddled with asset quality problems.

Currently, there are four distinct segments of the savings and loan industry:

-- Insolvent institutions,

-- Barely solvent institutions (institutions at risk),

-- FSLIC-assisted, open institutions, and

-- Solvent, healthy institutions.

As of September 30, 1988, the most recent information available, the 434 GAAP insolvent S&Ls had assets of $138.0 billion and GAAP capital of negative $18.1 billion. During the first 9 months of 1988, these S&Ls incurred net losses of over $7 billion. Between October 1, 1988, and December 31, 1988, FSLIC acted on 94 of the 434 S&Ls, leaving 340 insolvent S&Ls on which action had not been taken. At September 30, 1988, these 340 S&Ls had assets of $97.1 billion and GAAP capital of negative $10.7 billion.

As of September 30, 1988, 216 S&Ls had GAAP capital between 0 and 2 percent of assets, and are at risk of becoming insolvent. These S&Ls had assets of $164.2 billion and GAAP capital of only $1.6 billion. Although these S&Ls had positive GAAP capital, as a group they had negative tangible capital (GAAP capital less intangible assets, primarily goodwill). Between October 1, 1988, and December 31, 1988, FSLIC acted on 4 of these institutions, leaving 212 barely solvent S&Ls still existing at the end of 1988. As of September 30, 1988, these S&Ls had assets of $126.5 billion, GAAP capital of $1.3 billion, and tangible net worth of negative $.6 billion.

The third segment of the industry consists of S&Ls created by FSLIC's 1988 merger and assistance transactions. During 1988, FSLIC provided assistance to or merged almost 200 institutions with assets of $104 billion. FSLIC provided this assistance in the form of notes, coverage against losses incurred upon the sale of assets, and guaranteed income yields. In addition, the Federal Home Loan Bank Board often provided various types of regulatory forbearance. These S&Ls are now protected from loss by the government and are largely shielded from regulatory sanctions. Therefore, they enjoy a distinct competitive advantage over the healthy, unassisted portion of the industry. We will discuss FSLIC's assistance transactions in more detail tomorrow. (See GAO/T-GGD-89-10, dated March 11, 1989.)

The fourth segment of the industry consists of unassisted, relatively healthy S&Ls. As of September 30, 1988, the 2,374 S&Ls with GAAP capital in excess of 2 percent had assets of $1.0 trillion and GAAP capital of $55.7 billion, for a GAAP capital-to-assets ratio of 5.45 percent. These S&Ls are providing a substantial amount of mortgages and other necessary services to the public. Moreover, it is important to remember that traditional residential mortgage financing, the core business for which the S&L industry was created, did not cause the problems we are facing today. Any attempt to deal with the crisis we are now facing should ensure that these much needed services continue to be provided.

FSLIC's Financial Condition

Our audit of FSLIC's 1988 financial statements is currently ongoing and, in fact, FSLIC has not yet closed its books for the year. FSLIC has not provided us with financial statements or an estimate of its liability for resolving the problems of troubled S&Ls.

Nonetheless, we are able to provide some very preliminary observations on its financial condition. Specifically, due to its 1988 resolution actions which, according to FSLIC's records, cost about $37 billion, and to its continuing liability for insolvent S&Ls, we believe FSLIC's deficit has at least quadrupled from its 1987 deficit of $14 billion. Two items related to FSLIC's financial condition are of particular note:

-- whether the assumptions FSLIC used to estimate the costs of its 1988 resolution actions are reasonable, and

-- how much it will cost to resolve the problems of currently insolvent S&Ls.

Costs of FSLIC's 1988 Actions

During 1988, FSLIC acted on over 220 problem thrifts at a reported cost of $37.1 billion on a net present value basis. It is important to recognize that this amount is a present value figure; cash outlays over the next 10 years will likely be in excess of $60 billion.

To develop its cost estimates, FSLIC used various assumptions to determine its expected net cash outflows. FSLIC then discounted these cash flows back to present value. Our analysis of several assistance agreements and FSLIC's support for its estimated costs gives us concern that some of the assumptions may prove incorrect and result in higher costs, as follows:

-- FSLIC usually used moderately increasing interest rate projections to estimate interest payments on notes issued and payments under income yield guarantees. Specifically, FSLIC assumed that interest rates would increase by 1 percent during the first 18 months of the agreement and an additional one-half of 1 percent during the next 18 months. Thereafter, FSLIC assumed that interest rates would stabilize. If interest rates increase faster, and/or increase by more than FSLIC assumed, FSLIC's interest and yield maintenance payments would be greater than anticipated.

-- FSLIC's estimates of recoveries from assets are based on various estimated recovery rates and certain assumptions about when assets will be sold. While we have no basis for arguing with FSLIC's assumptions, if recoveries are less than anticipated, or if it takes longer to dispose of assets covered by yield maintenance agreements, FSLIC's costs would be higher than estimated.

-- At the time it estimated the costs, neither FSLIC nor the acquirers had done a detailed review of assets to determine the exact amount of the institution's negative net worth or the amount of assets that would be covered by guarantees (capital loss coverage and yield maintenance). Once such a review is completed, the institution's deficit and the amount of covered assets may be greater than expected, which would increase FSLIC's costs.

-- In discounting the expected cash outflows back to their net present value, FSLIC used the cost of Financing Corporation (FICO) borrowing, or 9.86 percent. We believe a more appropriate rate would be Treasury rates, since FICO borrowing will only cover a small portion of the costs. Treasury's overall rate has been steadily increasing over the last several months, but is still below the discount rate FSLIC used. Using Treasury's lower interest rate to discount the cash flows would increase the net present value cost of FSLIC's resolution actions.

FSLIC estimated that its net cash outlays over the next 10 years would be $62 billion, or $25 billion more than its net present value cost. This difference between present value costs and cash costs represents additional cash outflows that FSLIC expects to incur, and which must be financed. (See Attachment II for details on all of FSLIC's 1988 transactions and Attachment III for details on FSLIC's Southwest plan transactions.) For the reasons previously discussed, this cash outlay may be understated. However, we noted one item that could decrease FSLIC's future outlays:

-- In calculating the costs of many of its actions, FSLIC assumed that it would defer certain payments to acquirers, and pay interest on the amounts deferred, and/or would not pay any principal on the notes until the end of the agreement period. To the extent principal is paid earlier than anticipated or payments are not deferred, FSLIC's interest payments, and the ultimate cost of its actions, may be lower than it estimated.

Estimated Cost Related to Currently Insolvent S&Ls

A precise estimate of the eventual cost to resolve the industry's remaining problem institutions still cannot be made because the cost depends upon various uncertainties, such as the quality of each institution's assets, future interest rates, the economic outlook for certain sectors of the economy in which many of the troubled institutions operate, and whether the troubled

S&Ls are liquidated or acted on through mergers and acquisitions. Nonetheless, in our recent report to this committee (Troubled Financial Institutions: Solutions to the Thrift Industry Problem, GAO/GGD-89-47, February 21, 1989), we estimated that the cost would be at least $99 billion--$60 billion for 1988 actions, at least $34 billion to resolve the problems of the remaining insolvent S&Ls plus 72 others which appear to be fast approaching insolvency (if all troubled S&Ls are acted on promptly), and $5 billion for unanticipated failures. Although we believe that the estimates used in that report are still valid, several factors, including increased interest rates, a recession, or further deterioration of the financial condition of thinly capitalized S&Ls, could well push that estimate higher. However, our estimate is in line with those of the Administration, FDIC, and others knowledgeable about the industry.

It should be noted that our estimate is not based on a detailed review of each S&L's financial condition. Instead, it is based primarily on FSLIC's historical experience. In addition, we should point out that our estimates and those of other knowledgeable parties have risen over the last 2 years as additional information has become available and are still subject to some uncertainty.

RESOLVING THE S&L CRISIS

The Administration and the Congress are faced with two problems which, in our view, are of equal concern. First, they need to contain and resolve the immediate financial crisis of FSLIC and the S&L industry, and second, they need to take action to prevent this crisis from recurring. As discussed in our recent report to this committee, we believe that reforms to prevent such a crisis from recurring must accompany any action to solve the current crisis.

In developing the solution to this crisis, we believe several major premises should be considered:

-- The solution must be acted upon quickly to (1) avert the widespread loss of confidence in the U.S. financial institutions industry that could result if FSLIC runs out of funds, (2) stem the operating losses of insolvent S&Ls that continue to occur and will be added to the cost of resolving the crisis, and (3) reduce the incentives to pay excessive interest rates which are adversely affecting the entire system.

-- Any federal assistance should be properly recorded and disclosed in the budget because (1) "off-budget" financing is always more expensive than Treasury financing, and (2) budget recognition reduces the uncertainty that affects financial markets more than actually recognizing the magnitude of the problem.

-- To the extent practical, future industry earnings should first be used to capitalize the new insurance fund; any additional contributions should be sought in a way that does not jeopardize the viability of healthy institutions.

-- The solution should not disrupt other mechanisms, such as the banks' deposit insurance system, that are working reasonably well.

-- The solution should not rely on fundamental changes in government policy relating to using funds provided for one purpose for another purpose, such as using FDIC's funds to help pay for the S&L problem, because to do so violates the trust fund concept, could delay solving the crisis, and could have serious financial consequences in other areas.

With these major premises in mind, we have previously recommended that certain steps be taken to resolve the crisis and prevent it from recurring:

-- Take control of and isolate in a special receivership/ conservatorship arrangement, the troubled segment of the S&L industry until an informed decision can be made whether to liquidate or merge those S&Ls based upon a careful assessment of their asset portfolios and management capability and the comparative cost of each approach. In effect, limit their activities and immediately take them out of the market.

-- Immediately make the funds available, primarily through the Treasury, to cover any potential run-off of insured deposits in these institutions and to permit dealing with each of these institutions effectively, rather than deferring resolutions through the use of forbearance.

-- Provide a separate mechanism to control and oversee this process, using staff from FSLIC, the Bank Board, and the banking regulators.

-- Establish a "new" FSLIC as an independent agency separate from the Bank Board for the healthier segment of the industry, whose paramount objective would be to ensure the safety and soundness of the S&L industry. It should be capitalized by future industry contributions and be provided the authority and the resources to supervise, examine, and when necessary, close insured institutions.

-- Enact strong regulatory reform actions to prevent a recurrence of the crisis. Such reforms would include, but not be limited to, increased capital requirements for insured S&Ls, mandatory independent financial and compliance audits, increased management accountability for maintaining adequate internal controls and complying with laws and regulations through the issuance of management reports on internal controls and compliance, and adequate authority for FSLIC to deny or cancel deposit insurance, when necessary, and to limit state-allowed activities beyond those allowed for federally chartered S&Ls.

COMMENTS ON THE ADMINISTRATION'S PROPOSAL

On February 23, 1989, the Administration presented to this committee its proposal for solving the S&L crisis. We are pleased that the Administration acted quickly on this problem. Its plan encompasses many of the items we recommended, including various regulatory reforms to prevent this situation from recurring and immediate action to take control of insolvent S&Ls. Although the Administration's proposal is not completely in line with our recommendations, we believe that it is basically sound and provides substantial funds and regulatory reforms needed to put this crisis behind us and prevent its recurrence. While we may disagree with how the Administration proposes to handle some areas, such as examination and supervision, and with some of the assumptions the Office of Management and Budget (OMB) used to estimate the cost of resolution, we believe that the proposal provides a reasonable basis for dealing with the crisis and, therefore, urge expedited action by the Congress and the Administration to begin this much needed resolution of the problem.

We are still analyzing the Administration's proposal. Nonetheless, we have some preliminary comments on the structure of and regulatory reform items included in the proposed solution, and on the cost and funding of the solution.

Comments on Structural Changes and Regulatory Reform Proposals

The Administration's proposal contains substantial structural changes and regulatory reforms. We have comments on six items:

-- Our other work on S&L failures suggests that conflicts between the Bank Board's role as both regulator/ supervisor and promoter of the industry contributed to today's crisis. Therefore, we have recommended that supervisors and examiners be placed under the control of the insurer. Although the Administration's proposal provides the insurer with limited examination authority, it leaves the primary examiners at the Federal Home Loan Banks under the control of the Federal Home Loan Bank System, which would become part of the Treasury. Giving FDIC limited examination authority and having the Bank System under the Treasury may alleviate some of the apparent conflicts of interest. However, others will still exist. Therefore, we continue to believe that FDIC should be provided control over the examination and supervisory functions to ensure a strong, independent oversight and regulatory process. If the legislation is amended to transfer this function to the insurer, FDIC will need to establish compensation levels, consistent with its authority, to attract and retain qualified and experienced personnel.

-- The proposal provides for increasing the FDIC board of directors from 3 to 5 members. In addition to the Comptroller of the Currency and the Chairman of the Bank System, there will be three members appointed by the President, by and with the consent of the Senate. The three members will serve 6-year terms, and one will be designated by the President to serve from time to time as chairman and one as vice chairman. Currently, the FDIC board elects the chairman and there is no vice chairman. We believe that the proposal should provide for the member designated as chairman to have a 6-year term in that position, rather than serving "from time to time" to ensure that FDIC retains the independence which has served us well in the past.

-- The Administration's proposal does not include a requirement for insured institutions to undergo annual independent audits and for their management to report on the adequacy of internal controls and compliance with applicable laws and regulations. We believe these requirements would provide greater assurance that the abuses which helped cause this crisis will not recur, and have already provided you with draft statutory language addressing these points.

-- The proposal uses an "off-budget" entity to raise a portion of the funds needed to resolve the crisis, and uses industry resources to repay the principal on the debt issued. This approach carries some cost to the government since any borrowing by an off-budget entity will be at rates higher than Treasury rates. We previously recommended, and continue to believe, that an on-budget approach should be used, even if it requires revising the Gramm-Rudman-Hollings deficit targets. We also think that a restructured federal budget along the lines we have proposed elsewhere would better highlight the financing of FSLIC and similar enterprises set up to operate on a business-like basis. (See Financial Management Issues, GAO/OCG-89-7TR, November 1988.)

-- The proposal provides for a review of assistance transactions in which FSLIC entered after January 1, 1988. We believe that the agreements should be reviewed but, as a practical matter, there may be little the government can do to revoke the merger and assistance agreements FSLIC made. Nonetheless, there are some measures that could be taken to limit the government's future obligations. For example, promissory notes could be prepaid or assets on which a guaranteed yield is being paid could be purchased. However, whether any of these actions would make sense financially will depend on the facts of each case.

-- The Administration's proposal limits the amount of notes, debentures, or other similar obligations, including estimated losses for guarantees or other liabilities, the insurance funds can have outstanding at any one time to 50 percent of the net worth of the respective insurance fund. We support a limit, and recommended to this committee last year that such a limit be placed on FSLIC obligations. However, the Administration's proposal may be overly restrictive and, in fact, puts the limit at not much more than FDIC currently has outstanding. There can be valid business reasons for issuing notes and other guarantees. Also, we need to ensure that FDIC has sufficient flexibility to operate effectively. Therefore, we suggest that the limit the Administration proposed be carefully reviewed and consideration be given to revising it.

The Funding and Cost of the Proposal

In terms of the cost and funding of the solution, the Administration's proposal contains five key assumptions--the amount of funds non-governmental sources can contribute, deposit growth rates, the amount of the resolution costs, changes in interest rates, and the amount of funds required for defeasing the bonds issued.

Non-governmental Sources of Funds

Two primary non-governmental sources of funds are being used to offset the cost to the taxpayer--the Federal Home Loan Banks (FHLBanks) and the S&Ls. Our analysis of OMB's estimated cash receipts and expenditures shows that during the first 11 years of the plan, the FHLBanks and S&Ls will provide roughly

$37 billion, while the Treasury will provide almost $77 billion. (See Attachment IV for our analysis of cash receipts and expenditures.) To the extent the FHLBanks and S&Ls do not provide the amounts OMB projected, the cost to the Treasury and, ultimately, the taxpayer will increase.

We believe that the FHLBanks can reasonably be expected to provide the funds they are being asked to provide to defease principal on the bonds and to help pay interest costs. At the end of 1987, the FHLBanks had combined retained earnings of $2.5 billion, most of which was pledged to support FICO bonds. However, it appears that FICO will not need a significant portion of these funds because it has been able to defease its bonds at a lower cost than anticipated. Therefore, most of the FHLBanks retained earnings, plus future earnings, can be used to support Resolution Funding Corporation (REFCORP) bonds. The FHLBanks combined net income for the years 1985 through 1987 averaged almost $1.3 billion. Using $300 million a year to pay a portion of the interest on the bonds should not significantly hurt the FHLBanks, nor should it reduce the amount of dividends paid annually to S&Ls.

The Administration's proposal includes a modest increase in S&Ls' insurance premiums from the current 20.8 basis points of deposits (8.3 basis points in regular assessments and 12.5 basis points in special assessments) to 23 basis points for 3 years, at which time the premiums would decrease to 18 basis points. We are currently working on a request from a member of this committee to determine the impact of this increase on S&Ls. At this time, we would just like to point out that the increase is only temporary, and that the premiums will then decline to a lower percentage than S&Ls have been paying since 1985. Overall, under this plan, the premiums S&Ls will pay over the next 10 years will be less than they would have paid under the current system. However, some S&Ls may become insolvent, while others will find it more difficult to increase their capital levels solely using future earnings.

Deposit Growth Rates

In estimating revenues from insurance assessments, which offset the costs taxpayers will fund, OMB assumed that S&L deposits would increase by 7.2 percent annually and that bank deposits would increase by 6.9 percent. These increases are fairly consistent with the average annual increase over the last 10 years. However, over the last 3 years, deposits in S&Ls have only increased by an average of 4.8 percent per year (including interest credited to accounts); while bank deposits have increased by an average of about 5.5 percent per year. Moreover, for the last 8 months of 1988, S&Ls experienced deposit outflows that would have resulted in deposits declining by $24.6 billion had this outflow not been offset by $37.3 billion in earned interest being credited to accounts. Therefore, we question whether deposits in S&Ls can increase by 7.2 percent per year for the next 10 years. If all other factors are held constant, to the extent deposits do not increase as projected, the amount taxpayers will have to contribute to funding the solution will increase.

However, it should be noted that some depositors who withdraw funds from S&Ls or choose not to make deposits in them may put their funds in banks, thereby making bank deposits increase by more than 6.9 percent annually. Although bank assessments are not used to resolve the S&L crisis, for budget purposes, any increase in banks' assessments (which would occur if bank deposits increase more than assumed) will offset the budget impact of at least part of any reduction in S&Ls' assessments occurring should S&Ls' deposits decline or increase less than assumed. Under this scenario, net budgetary outlays would not increase as much as they would if depositors chose to put their funds elsewhere (for example, mutual funds or stocks).

Resolution Costs

The Administration's resolution cost projection includes three major pieces--almost $60 billion for 1988 and earlier actions, $50 billion for currently insolvent S&Ls plus about 150 others it expects to be acted on by the Resolution Trust

Corporation (RTC) during the next 3 years, and $33 billion to establish a new insurance fund and to act on S&Ls that would be handled after the initial 3-year period ends, but before the end of fiscal year 1999. OMB's estimates are consistent with those in our recent report to this committee--$60 billion for cases acted on in 1988; at least $39 billion for currently insolvent and other troubled S&Ls; and $20 billion to establish an adequate insurance fund. The primary difference between our estimate and OMB's estimate relates to out-year resolutions beyond those that will be handled by RTC. In our report, we did not attempt to estimate resolution costs associated with S&Ls that may become insolvent that far into the future. Nonetheless, at this time, we have no reason to question OMB's overall estimate. However, it should be noted that costs could increase if (1) interest rates go up further, (2) a recession occurs, or (3) more institutions become insolvent than anticipated.

Interest Rate Assumptions

OMB estimates interest rates on various types of obligations related to the proposal, including rates on FICO bonds, REFCORP bonds, long-term Treasury securities, discounts on zero coupon securities, and notes FSLIC issued as a result of resolution actions. OMB has used essentially the same interest rate scenario as was used in the President's fiscal year 1990 budget. While no one can accurately predict future interest rates, given that interest rates have been increasing for the last several months, we question OMB's assumption that interest rates will decline over the next 5 years and, even if interest rates do decline, whether they would decline as rapidly as OMB has assumed--by 1.2 percent by the second year of the plan (fiscal year 1990) and by an additional 1.4 percent by the third year of the plan (fiscal year 1991). Moreover, OMB's use of declining interest rates conflicts with the moderately increasing interest rate assumptions FSLIC used to estimate the costs related to its 1988 actions. Obviously, if interest rates increase, or do not decrease as rapidly as OMB projects, the cost of the solution will increase.

Bond Defeasance

OMB's projection assumes that no more than $6 billion (12 percent of principal) will be needed to purchase zero coupon bonds to defease the $50 billion in REFCORP bond principal. We believe that OMB's estimate of the amount needed to defease the principal is reasonable. With $6 billion, REFCORP could purchase $50 billion in face value of zero coupon securities yielding a return of only 7 percent. In contrast, FICO has purchased zero coupon securities with a face value of $6.59 billion at a cost of $526.6 million, for an effective yield of over 8.5 percent. In addition, FICO has used only about 8 percent of face value to purchase the zero coupon securities. Based on FICO's experience, REFCORP would only need about $4 billion to defease $50 billion in principal. Moreover, if interest rates continue to increase as they have been, REFCORP will need even less since zero coupon securities are sold at a deep discount from face value to yield a given return. As interest rates rise, the discount is larger and, therefore, the purchase price is lower. Conversely, if interest rates decline, as OMB has assumed, the purchase price of the zero coupon securities will be higher, and REFCORP would need a greater percentage of bond principal to purchase them.

Mr. Chairman, this concludes my statement. I would be pleased to answer any questions you or the members of this committee might have.

CONDITION OF THE S&L AND BANKING INDUSTRIES
AS OF SEPTEMBER 30, 1988
(Dollars in Billions)

Description	Number	Percent of Tot.	Assets	Percent of Tot.	GAAP Capital
FSLIC-INSURED S&LS					
Insolvent S&Ls a/	434	14.4%	$ 138.0	10.4%	$(18.1)
Barely solvent b/	216	7.1	164.2	12.4	1.6
All other S&Ls	2,374	78.5	1,021.1	77.2	55.7
Total Industry	3,024	100.0	$1,323.3	100.0	$ 39.2
FDIC-INSURED BANKS					
Insolvent banks a/	81	0.6%	$ 20.6	0.6%	$ (0.6)
Barely solvent b/	140	1.0	19.4	0.6	0.2
All other banks	13,466	98.4	3,332.7	98.8	214.9
Total Industry	13,687	100.0	$3,372.7	100.0	$214.5

a/ Insolvent institutions are defined as those with negative capital as defined by generally accepted accounting principles (GAAP).

b/ Barely solvent institutions are defined as those with GAAP capital between 0 and 2 percent of assets.

Source: Bank and S&L financial information reported to FDIC and the Federal Home Loan Bank Board.

COSTS OF FSLIC'S 1988 RESOLUTION ACTIONS a/
(Dollars in Thousands)
Unaudited

Type of Action	No. of S&Ls	Total Assets	Present Value Cost	As a % of Assets	Cash Cost	As a % of Assets
Liquidations	27	$ 5,428,380	$ 3,898,933	71.8%	$ 3,424,241	63.1%
Mergers	199	103,516,570	33,242,778	32.1	58,721,734	56.7
Totals	226	$108,944,950	$37,141,711	34.1%	$62,145,975	57.0%

a/ Details on the present value and cash cost of each transaction are shown on the following pages of this attachment.

Source: FSLIC records

ATTACHMENT II

ATTACHMENT II

ESTIMATED COSTS OF
1988 FSLIC LIQUIDATIONS

(Unaudited)
(All figures are in thousands)

			PRESENT VALUE				CASH			
TRANS	FAILED ASSOCIATION	TOTAL ASSETS	COST OF ACTION	INSURANCE COVERAGE	ESTIMATED RECOVERY	FSLIC % COST TO TOTAL ASSETS	COST OF ACTION	INSURANCE COVERAGE	ESTIMATED RECOVERY	FSLIC % COST TO TOTAL ASSETS
1	FIRST SA OF EAST TX	$62,900	$87,985	$131,546	($43,561)	139.88%	$79,941	$131,546	($51,605)	127.09%
2	TERRITORY S&LA	$37,800	$46,186	$64,686	($18,500)	122.19%	$43,228	$64,686	($21,458)	114.36%
3	CITIZENS S&LA	$150,000	$141,264	$143,308	($2,044)	94.18%	$140,140	$143,308	($3,168)	93.43%
4	MT. WHITNEY S&LA	$34,000	$37,228	$77,568	($40,340)	109.49%	$41,779	$77,568	($35,789)	122.88%
5	RAMONA FS&LA	$45,000	$76,344	$102,763	($26,419)	169.65%	$71,623	$102,763	($31,140)	159.16%
6	FIRST FS&LA	$130,000	$52,342	$146,258	($93,916)	40.26%	$42,249	$146,258	($104,009)	32.50%
7	INVESTORS	$81,100	$40,740	$89,125	($48,385)	50.23%	$33,378	$89,125	($55,747)	41.16%
8	UNITED S&LA	$86,500	$44,114	$79,066	($34,952)	51.00%	$37,743	$79,066	($41,323)	43.63%
9	FIRST FS&LA	$128,780	$55,765	$139,321	($83,556)	43.30%	$43,224	$139,321	($96,097)	33.56%
10	AMERICAN FS&LA	$164,400	$67,219	$188,083	($120,864)	40.89%	$55,802	$188,083	($132,281)	33.94%
11	CARDINAL SB	$93,800	$34,365	$84,739	($50,374)	36.64%	$27,223	$84,739	($57,516)	29.02%
12	LARUE FS&LA	$13,100	$6,862	$15,226	($8,364)	52.38%	$6,040	$15,226	($9,186)	46.11%
13	NORTH AMERICAN S&LA	$98,200	$133,219	$213,335	($80,116)	135.66%	$123,417	$213,335	($89,918)	125.68%
14	AMER. DIVERSIFIED SB	$509,000	$797,589	$1,144,292	($346,703)	156.70%	$723,394	$1,144,292	($420,898)	142.12%
15	FARMERS FS&LA	$181,500	$198,943	$331,744	($132,801)	109.61%	$180,450	$331,744	($151,294)	99.42%
16	THE AMERICAN FS&LA	$70,400	$111,769	$144,396	($32,627)	158.76%	$105,489	$144,396	($38,907)	149.84%
17	UNIVERSAL SA	$54,800	$35,757	$74,972	($39,215)	65.25%	$31,986	$74,972	($42,986)	58.37%
18	VICTOR S&LA	$230,000	$241,000	$357,179	($116,179)	104.78%	$241,000	$357,179	($116,179)	104.78%
19	ULTIMATE SB, FSB	$192,500	$82,617	$190,872	($108,255)	42.92%	$69,321	$190,872	($121,551)	36.01%
20	PEOPLES S&LA	$21,500	$15,720	$19,796	($4,076)	73.12%	$14,599	$19,796	($5,197)	67.90%
21	LIBERTY FSB	$150,000	$79,851	$120,023	($40,172)	53.23%	$64,031	$120,023	($55,992)	42.69%
22	REGENCY SB	$148,600	$52,470	$168,980	($116,510)	35.31%	$37,760	$168,990	($131,220)	25.41%
23	CYPRESS SA	$172,800	$94,342	$199,010	($104,668)	54.60%	$75,189	$199,010	($123,821)	43.51%
24	TWIN CITY SVGS FSA	$72,100	$176,656	$210,457	($33,801)	245.02%	$165,110	$210,457	($45,347)	229.00%
25	CENTRAL ARKANSAS S&LA	$10,400	$3,500	$12,500	($9,000)	33.65%	$3,500	$12,500	($9,000)	33.65%
26	KEY FS&LA	$173,200	$131,235	$200,335	($69,100)	75.77%	$115,009	$200,335	($85,326)	66.40%
27	SILVERADO BNKG S&LA	$2,316,000	$1,053,851	$1,752,604	($698,753)	45.50%	$851,616	$1,752,604	($900,988)	36.77%
	TOTALS	$5,428,380	$3,898,933	$6,402,184	($2,503,251)		$3,424,241	$6,402,184	($2,977,943)	

Source: FSLIC records

ESTIMATED CASH COSTS OF
1988 FSLIC-ASSISTED MERGERS AND ACQUISITIONS

(Unaudited)
(All figures are in thousands)

RANS	ASSOCIATION	ACQUIRER	ACQUIRER CONTRIBUTION	FSLIC ESTIMATED COST OF ACTION	CASH	NOTE PRINCIPAL AND INTEREST	CAPITAL LOSS COVERAGE	YIELD SUBSIDY	OTHER
1	FIRST FS&LA	HOME FS&LA (ROCKFORD)	$2,914	$14,712	$7,096	$0	$0	$198	$7,416
2	MAGNET BANK, FSB MOUNTAIN STATE FS&LA TRADERS FS&LA	ATLANTIC FNAN FED	$29,079	$72,249	$46,000	$20,400	$1,537	$18,093	($13,731)
3	FIRST FS&LA	PRIVATE INVESTOR	$1,000	$3,075	$3,075	$0	$0	$0	$0
4	FIRST FEDERATED SB FIRST FSB PEOPLES FS&LA PERPETUAL S&LA	THE STATESMAN GROUP	$21,000	$187,333	$29,545	$88,847	$32,792	$36,149	$0
5	TRI-CITIES S&LA	STERLING SA	$0	$17,296	$9,503	$0	$4,645	$3,872	($725)
6	CITIZENS S&LA	LEMONT SA	$0	$6,100	$6,100	$0	$0	$0	$0
7	VALLEY FS&LA	HOME FS&LA OF UPP E. TN	$0	$7,141	$5,941	$0	$1,200	$0	$0
8	ALLIANCE S&LA CAMERON COUNTY S&LA COLORADO COUNTY FS&LA SECURITY S&LA	COASTAL BANC SA	$3,500	$237,225	$3,627	$67,680	$112,752	$61,870	($8,704)
9	BRIERCROFT SA CITY S&LA LAMAR SA STOCKTON SA	SOUTHWEST SA	$25,000	$3,521,024	$0	$1,019,732	$1,738,990	$762,302	$0
10	BLUEBONNET SA	FIRST SVGS OF BRENHAM	$0	$8,281	$7,063	$0	$517	$701	$0
11	FIRST FS&LA	RARITAN VALLEY S&LA	$0	$71,545	$58,827	$0	$11,500	$0	$1,218
12	EUREKA FS&LA	AMERICA FIRST FNAN CORP	$100,000	$269,625	$279,576	$0	$9,500	$17,854	($37,305)
13	FRONTIER FSB	BAILEY MORTGAGE CO.	$0	$9,560	$9,200	$0	$0	$0	$360
14	BROWNFIELD FS&LA FIRST FINANCIAL SA	MERABANK FSB	$8,800	$156,582	$0	$67,969	$68,504	$29,296	($9,187)
15	MUSKEGON FS&LA	LOCAL INVESTOR GROUP	$0	$4,000	$4,000	$0	$0	$0	$0
16	STANFORD SA	AMERICA FIRST	$0	$8,394	$7,311	$0	$0	$3,068	($1,985)
17	LYNNWOOD S&LA	GOLDEN WEST FNAN CORP	$0	$5,845	$7,703	$0	$0	$0	($1,858)
18	GALVA FS&LA HOME FS&LA MUTUAL S&LA	PRIVATE INVESTORS	$2,539	$34,500	$34,216	$0	$1,800	$0	($1,516)
19	REPUBLIC SVGS. FS&LA	RIVER VALLEY SB	$0	$18,214	$15,955	$0	$1,250	$1,009	$0
20	FIRST FS&LA	PRIVATE INVESTORS	$0	$13,300	$13,300	$0	$0	$0	$0
21	FIRST FS&LA	UNITED SVGS OF AMERICA	$0	$2,765	$2,765	$0	$0	$0	$0
22	FIRST FEDERAL BANK FSB WESTERN FS&LA	FIRST FEDERAL S&LA	$0	$12,222	$12,222	$0	$0	$0	$0
23	CAPITOL FS OF AM	STANDARD FS&LA	$0	$26,767	$32,796	$0	$370	$0	($6,399)
24	AMERICAN BANC SA BEN MILAM S&LA	GIBSON GROUP, INC.	$48,000	$2,379,171	$0	$1,008,376	$752,155	$617,277	$1,363

Source: FSLIC records

ATTACHMENT II

ESTIMATED CASH COSTS OF
1988 FSLIC-ASSISTED MERGERS AND ACQUISITIONS

(Unaudited)
(All figures are in thousands)

TRANS	ASSOCIATION	ACQUIRER	ACQUIRER CONTRIBUTION	FSLIC ESTIMATED COST OF ACTION	CASH	NOTE PRINCIPAL AND INTEREST	CAPITAL LOSS COVERAGE	YIELD SUBSIDY	OTHER
	COMMERCE FS&LA GLADEWATER FS&LA IRVING SA LONGVIEW S&LA MAJESTIC SA MERCURY SA PARIS S&LA RICHARDSON S&LA SKYLINE SA SOUTHLAND SA								
25	FEDERATED S&LA FIRST CITY SA INDEPENDENT AMERICAN SA MULTIBANK SA SUMMIT SA SUNBELT SA TEXANA S&LA WESTERN FS&LA	SUNBELT SAVINGS, FSB	$0	$11,509,284	$0	$4,843,595	$4,061,931	$2,603,758	$0
26	BELL FS&LA	WESTERN FS&LA	$20,000	$695,756	$0	$628,666	$35,853	$94,684	($63,447)
27	FIRST FS&LA FIRST FS&LA FIRST FS&LA PEOPLES S&LA PIONEER FS&LA WASHINGTON FSB	METROPOLITAN FSB	$0	$626,352	$0	$506,441	$19,267	$26,570	$74,074
28	STATE FS&LA	MERABANK FSB	$20,000	$1,084,645	$0	$273,291	$593,702	$227,718	($10,066)
29	COMMERCE FSB	SECURITY TRUST FS&LA	$0	$17,232	$16,500	$0	$732	$0	$0
30	NORTHWEST FS&LA	WASHINGTON FS&LA	$880	$2,389	$2,389	$0	$0	$0	$0
31	HOMESTATE S&LA	OLD STONE BANK FSB	$6,700	$44,798	$44,798	$0	$0	$0	$0
32	CAPITAL FSB MUTUAL FS&LA	ARROWHEAD FS&LA	$0	$154,572	$0	$73,707	$35,919	$44,158	$788
33	FIRST OK SB MID AMERICA FS&LA	COMMUNITY FS&LA	$0	$166,079	$0	$80,423	$23,969	$51,875	$9,812
34	KINGFISHER FS&LA SUNBELT SAV FS&LA	NEW CHISHOLM FS&LA	$0	$105,215	$0	$71,403	$6,567	$26,305	$940
35	FRONTIER FS&LA	HEARTLAND FS&LA	$0	$503,906	$0	$346,333	$26,863	$121,978	$8,732
36	CIMARRON FS&LA HOME S&LA PHOENIX FS&LA	CIMARRON FS&LA	$0	$709,492	$0	$543,893	$17,686	$132,865	$15,048
37	FIRST FS&LA HERITAGE S&LA HOME SB, FA PEOPLES FS&LA	RED RIVER FS&LA	$0	$258,875	$0	$118,518	$50,457	$85,194	$4,706
38	CITIZENS FS&LA	FIRST FSB & TRUST	$0	$0	$0	$0	$0	$0	$0
39	FIRST FSB	KW BANKSHARES INC.	$0	$25,431	$17,558	$0	$2,337	$3,957	$1,579
40	FIDELITY FS&LA	UNITED SVGS OF AMERICA	$0	$3,693	$3,605	$0	$0	$0	$88
41	ALLEN PARK FS&LA	PULTE DIVERSIFIED CO.INC.	$45,000	$1,029,710	$0	$638,638	$218,436	$184,872	($12,236)

Source: FSLIC records

ATTACHMENT II

ESTIMATED CASH COSTS OF
1988 FSLIC-ASSISTED MERGERS AND ACQUISITIONS

(Unaudited)
(All figures are in thousands)

TRANS	ASSOCIATION	ACQUIRER	ACQUIRER CONTRIBUTION	FSLIC ESTIMATED COST OF ACTION	CASH	NOTE PRINCIPAL AND INTEREST	CAPITAL LOSS COVERAGE	YIELD SUBSIDY	OTHER
	BAY CITY FS&LA GULF COAST S&LA HEIGHTS SA								
42	COOSA FS&LA	SECOR SAVINGS BANK	$0	$12,950	$12,950	$0	$0	$0	$0
43	FREEDOM FS&LA	WASHINGTON FS&LA	$0	$30,985	$0	$30,985	$0	$0	$0
44	LOVES PARK FSB	HOME FS&LA	$0	$4,958	$4,958	$0	$0	$0	$0
45	CHAMPION SA	PULTE DIVERSIFIED CO.INC.	$0	$963,979	$0	$399,749	$344,525	$244,861	($25,156)
46	ARSENAL SA, FA FRANKTON FS&LA	UNION HOLDING CO.	$0	$36,286	$30,258	$0	$3,231	$2,797	$0
47	BUTTERFIELD S&LA	DOWNEY S&LA	$0	$386,272	$0	$333,463	$44,612	$8,197	$0
48	DELTA SVGS OF TEXAS FIRST FS&LA GUARANTY FS&LA	TEMPLE-INLAND	$128,000	$2,808,221	$0	$1,391,602	$804,641	$700,065	($88,087)
49	CREDITBANC SA FRANKLIN SA GREAT WEST SB	CLUB CORP. INT'L	$30,000	$1,620,461	$0	$523,405	$538,782	$571,406	($13,132)
50	UNITED SA OF CNTR IN FA	FIRST FEDERAL BANK	$0	$7,841	$8,054	$0	$640	$0	($853)
51	CITIZEN FS&LA	AMERICANA SB	$0	$5,356	$5,356	$0	$0	$0	$0
52	ADOBE SB	TRACY S&LA	$0	$3,100	$3,100	$0	$0	$0	$0
53	CAPITAL FS&LA FIRST FSB OF INDIANA	MACO BANCORP	$10,400	$28,000	$28,000	$0	$0	$0	$0
54	FIRST FS&LA	REPUBLIC SB, FSB	$0	$25,486	$25,486	$0	$0	$0	$0
55	BANC HOME SA FIRST FSALA HEART O' TEXAS SA ODESSA SA OLNEY SA PETROPLEX SA SAN ANGELO SA SECURITY FS&LA SHAMROCK FSB SOUTHERN S&LA SOUTHWEST S&LA	ADAM CORP./GROUP	$80,000	$2,293,490	$0	$587,397	$950,953	$819,216	($64,076)
56	JACKSON COUNTY FS&LA	NONE	$0	$73,300	$20,500	$0	$39,300	$19,100	($5,600)
57	PEOPLES FSB	FIRST BANCORPORATION	$17,000	$34,900	$34,900	$0	$0	$0	$0
58	RELIANCE S&LA	CROSSLAND SAVINGS FSB	$0	$11,841	$11,841	$0	$0	$0	$0
59	LINCOLN FS&LA	FIRST NATIONWIDE BANK	$0	$188,599	$37,056	$151,543	$0	$0	$0
60	TESORO S&LA	AMERICITY FSB	$12,000	$281,660	$0	$40,177	$142,163	$108,324	($9,004)
61	FLAGSHIP FS&LA	PRIVATE INVESTORS	$3,000	$28,739	$8,487	$20,252	$0	$0	$0
62	SOUTH SIDE S&LA	LIBERTY CAPITAL, INC.	$0	$11,043	$10,024	$0	$1,019	$0	$0
63	MIDAMERICA SB	PRIVATE INVESTOR GROUP	$0	$14,000	$14,000	$0	$0	$0	$0

Source: FSLIC records

ATTACHMENT II

ESTIMATED CASH COSTS OF
1988 FSLIC-ASSISTED MERGERS AND ACQUISITIONS

(Unaudited)
(All figures are in thousands)

TRANS	ASSOCIATION	ACQUIRER	ACQUIRER CONTRIBUTION	FSLIC ESTIMATED COST OF ACTION	CASH	NOTE PRINCIPAL AND INTEREST	CAPITAL LOSS COVERAGE	YIELD SUBSIDY	OTHER
64	EASTERN WASHINGTON S&LA	FIRST WESTERN SA	$0	$1,975	$1,975	$0	$0	$0	$0
65	ROOKS COUNTY S&LA	FIRST FS&LA-LINCOLN, NE	$0	$19,525	$19,525	$0	$0	$0	$0
66	AMERICAN HOME SVGS FSB COMMUNITY FIRST FS&LA	PACIFIC FIRST FS&LA	$0	$223,421	$18,361	$103,293	$66,987	$34,780	$0
67	BLOOMFIELD S&LA FA FIRST DEARBORN FA	FIRST NATIONWIDE BANK	$28,560	$256,313	$0	$287,556	$0	$0	($31,243)
68	ROCKY MOUNTAIN FS&LA UNITED SB OF WYOMING	ROCKY MT. FNAN CORP.	$20,600	$246,028	$0	$156,269	$39,078	$49,187	$2,494
69	FIRST BORDER SB OHIO VALLEY S&LA	GOLDEN WEST FNAN CORP.	$22,342	$83,688	$87,602	$0	$0	$0	($3,914)
70	GLEN ELLYN FS&LA	CITICORP MORTGAGE, INC.	$0	$21,695	$13,955	$0	$7,740	$0	$0
71	COMMODORE SA FIRST FS&LA FIRST WESTERN S&LA HI-PLAINS S&LA FSA HOME S&LA INTERWEST SA LAMESA FS&LA MESQUITE S&LA METROPLEX FSA MINERAL WELLS S&LA NORTHPARK SA RELIANCE SA SENTRY SA SOUTHERN FEDERALBANC S&LA VISTA SA	CFSB CORP., INC.	$120,000	$3,377,666	$0	$1,643,785	$946,449	$821,432	($34,000)
72	VIRGINIA FS&LA	MNC FINANCIAL INC.	$42,000	$13,500	$13,500	$0	$0	$0	$0
73	FIRST TEXAS SA GILBRALTAR SA HOME SA KILLEEN S&LA MONTFORT SA FSA	MCANDREWS AND FORBES	$315,000	$8,908,369	$0	$4,031,585	$2,743,863	$2,049,848	$83,073
74	AMERICAN S&LA (a)	ROBERT M. BASS GROUP	$500,000	$1,699,000	$0	$0	$0	$0	$1,699,000
75	FIRST FS&LA	BARNETT BANKS INC.	$0	$4,880	$4,880	$0	$0	$0	$0
76	MCLEAN S&LA FS&LA	NVRYAN LP	$16,000	$82,099	$10,000	$0	$46,166	$26,733	$0
77	FIRST FSB	METROPOLITAN FB	$0	$124,442	$0	$93,557	$51	$0	$30,834
78	AMERICAN SB	CITIZENS FSB	$0	$203,280	$98,797	$42,063	$15,168	$0	$47,252
79	BAYVIEW FSA CHARTER S&LA FIRST FS&LA INDEPENDENCE S&LA KEYSTONE S&LA SEGUIN SA UNION SA (GOLIAD S&LA) YOAKUM FS&LA	PACIFIC USA HOLDINGS	$37,500	$986,968	$0	$312,108	$365,304	$309,556	$0
80	BURNET S&LA LEE SA PEOPLES S&LA	CENTEX CORP.	$26,500	$813,222	$0	$469,602	$256,318	$87,597	($295)

Source: FSLIC records

ATTACHMENT II

ESTIMATED CASH COSTS OF
1988 FSLIC-ASSISTED MERGERS AND ACQUISITIONS

(Unaudited)
(All figures are in thousands)

TRANS	ASSOCIATION	ACQUIRER	ACQUIRER CONTRIBUTION	FSLIC ESTIMATED COST OF ACTION	CASH	NOTE PRINCIPAL AND INTEREST	CAPITAL LOSS COVERAGE	YIELD SUBSIDY	OTHER
81	RANCHERS SA COMMUNITY FS&LA	LOCAL FS&LA	$16,200	($40,060)	$0	($19,849)	($11,241)	($8,970)	$0
82	GREAT FALLS FS&LA	WESTERN FS&LA	$0	$11,520	$11,000	$0	$520	$0	$0
83	PEORIA S&LA	RIVER VALLEY SB FSB	$3,300	$31,180	$3,300	$27,880	$0	$0	$0
84	FIRST FS&LA SOUTH FLORIDA FS&LA	SOUTHEAST BANKING CORP.	$0	$29,000	$29,000	$0	$0	$0	$0
85	HOME FS&LA NORTHWEST FS&LA	NORTHWEST FSB	$9,563	$109,918	$0	$109,987	$0	$2,734	($2,803)
86	ARROWHEAD FS&LA	NORTHWEST FS&LA	$0	($12,636)	$0	$0	($8,437)	($4,199)	$0
87	CARDINAL FSB COLUMBIA SVGS FS&LA MILE HIGH FS&LA PATHWAY FINANCIAL FA	FIRST NATIONWIDE BANK	$175,000	$2,163,937	$0	$1,784,670	($287,339)	$607,862	$58,744
88	UNITED SA OF TEXAS	HYPERION PARTNERS	$200,000	$2,200,353	$0	$503,940	$946,338	$717,982	$32,093
89	LYONS SVGS FS&LA	COAST TO COAST FNAN CORP.	$42,500	$538,141	$7,621	$310,962	$19,285	$168,468	$31,806
90	CAL AMERICA S&LA FS&LA COLUMBUS S&LA FS&LA FIRST SECURITY FS&LA	HOME FS&LA	$25,000	$331,825	$0	$252,765	$48,647	$33,413	($3,000)
91	TAHOE S&LA FS&LA	FIRST NETWORK SB	$0	$33,794	$33,794	$0	$0	$0	$0
92	UNITED FS&LA	HOME FS&LA-SIOUX FALLS	$0	$8,000	$8,000	$0	$0	$0	$0
93	BROWARD FS&LA	CALIFORNIA FS&LA	$20,282	$252,903	$0	$191,433	$35,634	$25,842	$0
94	BEVERLY HILLS S&LA FS&LA	MICHIGAN NATIONAL CORP.	$0	$2,145,976	$0	$1,947,975	$77,241	$100,182	$20,578
95	BEACH FS&LA	GOLDEN WEST FINANCIAL	$20,000	$955,184	$0	$955,184	$0	$0	$0
			$2,265,227	$58,721,734	$1,296,951	$27,080,250	$16,008,870	$12,652,036	$1,683,627
			3.70%	96.30%					

(a) The total amount of this costing was placed under the "Other" category due to the nonconforming nature of this bid costing. A cash basis estimate of this transaction is not available.

Source: FSLIC records

ATTACHMENT II

ESTIMATED PRESENT VALUE COSTS OF
1988 FSLIC-ASSISTED MERGERS AND ACQUISITIONS

(Unaudited)
(All figures are in thousands)

TRANS	ASSOCIATION	TOTAL ASSETS	ACQUIRER CONTRIBUTION	FSLIC ESTIMATED COST OF ACTION	CASH	NOTE PRINCIPAL AND INTEREST	CAPITAL LOSS COVERAGE	YIELD SUBSIDY	OTHER	FSLIC % COST TO TOTAL ASSETS
1	FIRST FS&LA	$31,100	$2,914	$13,145	$7,096	$0	$0	$185	$5,864	42.27%
2	MAGNET BANK, FSB MOUNTAIN STATE FS&LA TRADERS FS&LA	$710,000	$29,079	$81,478	$46,000	$12,818	$1,195	$16,385	$5,080	11.48%
3	FIRST FS&LA	$30,900	$1,000	$3,805	$3,075	$0	$0	$0	$730	12.31%
4	FIRST FEDERATED SB FIRST FSB PEOPLES FS&LA PERPETUAL S&LA	$566,400	$21,000	$158,184	$29,545	$74,023	$23,728	$30,888	$0	27.93%
5	TRI-CITIES S&LA	$54,500	$0	$15,816	$9,503	$0	$3,583	$3,374	($644)	29.02%
6	CITIZENS S&LA	$39,020	$0	$6,100	$6,100	$0	$0	$0	$0	15.63%
7	VALLEY FS&LA	$87,500	$0	$7,069	$5,941	$0	$1,128	$0	$0	8.08%
8	ALLIANCE S&LA CAMERON COUNTY S&LA COLORADO COUNTY FS&LA SECURITY S&LA	$455,800	$3,500	$146,226	$3,627	$35,153	$52,001	$52,888	$2,557	32.08%
9	BRIERCROFT SA CITY S&LA LAMAR SA STOCKTON SA	$3,998,400	$25,000	$1,980,323	$0	$509,773	$817,137	$653,413	$0	49.53%
10	BLUEBONNET SA	$24,100	$0	$8,119	$7,063	$0	$433	$623	$0	33.69%
11	FIRST FS&LA	$245,500	$0	$72,079	$58,827	$0	$10,467	$0	$2,785	29.36%
12	EUREKA FS&LA	$1,740,000	$100,000	$303,485	$279,576	$0	$8,475	$16,584	($1,150)	17.44%
13	FRONTIER FSB	$48,050	$0	$9,560	$9,200	$0	$0	$0	$360	19.90%
14	BROWNFIELD FS&LA FIRST FINANCIAL SA	$370,000	$8,800	$83,868	$0	$32,658	$29,954	$24,692	($3,436)	22.67%
15	MUSKEGON FS&LA	$202,000	$0	$4,000	$4,000	$0	$0	$0	$0	1.98%
16	STANFORD SA	$76,500	$0	$8,394	$7,311	$0	$0	$3,068	($1,985)	10.97%
17	LYNNWOOD S&LA	$24,600	$0	$5,845	$7,703	$0	$0	$0	($1,858)	23.76%
18	GALVA FS&LA HOME FS&LA MUTUAL S&LA	$172,980	$2,599	$34,158	$34,216	$0	$1,458	$0	($1,516)	19.75%
19	REPUBLIC SVGS. FS&LA	$36,500	$0	$17,831	$15,955	$0	$991	$885	$0	48.85%
20	FIRST FS&LA	$84,900	$0	$13,300	$13,300	$0	$0	$0	$0	15.67%
21	FIRST FS&LA	$36,400	$0	$2,765	$2,765	$0	$0	$0	$0	7.60%
22	FIRST FEDERAL BANK FSB WESTERN FS&LA	$49,600	$0	$12,222	$12,222	$0	$0	$0	$0	24.64%
23	CAPITOL FS OF AM	$242,600	$0	$30,805	$32,796	$0	$313	$0	($2,304)	12.70%
24	AMERICAN BANC SA BEN MILAM S&LA	$2,217,200	$48,000	$1,313,780	$0	$495,132	$317,319	$481,404	$19,925	59.25%

ATTACHMENT II

ESTIMATED PRESENT VALUE COSTS OF
1988 FSLIC-ASSISTED MERGERS AND ACQUISITIONS

(Unaudited)
(All figures are in thousands)

TRANS	ASSOCIATION	TOTAL ASSETS	ACQUIRER CONTRIBUTION	FSLIC ESTIMATED COST OF ACTION	CASH	NOTE PRINCIPAL AND INTEREST	CAPITAL LOSS COVERAGE	YIELD SUBSIDY	OTHER	FSLIC % COST TO TOTAL ASSETS
	COMMERCE FS&LA GLADEWATER FS&LA IRVING SA LONGVIEW S&LA MAJESTIC SA MERCURY SA PARIS S&LA RICHARDSON S&LA SKYLINE SA SOUTHLAND SA									
25	FEDERATED S&LA FIRST CITY SA INDEPENDENT AMERICAN SA MULTIBANK SA SUMMIT SA SUNBELT SA TEXANA S&LA WESTERN FS&LA	$4,826,300	$0	$6,166,657	$0	$2,411,163	$1,721,553	$2,033,941	$0	127.77%
26	BELL FS&LA	$953,500	$20,000	$565,769	$0	$479,504	$28,674	$80,197	($22,606)	59.34%
27	FIRST FS&LA FIRST FS&LA FIRST FS&LA PEOPLES S&LA PIONEER FS&LA WASHINGTON FSB	$1,088,900	$0	$299,231	$0	$242,249	$15,070	$23,188	$18,724	27.48%
28	STATE FS&LA	$454,000	$20,000	$581,787	$0	$132,641	$261,323	$190,634	($2,811)	128.15%
29	COMMERCE FSB	$40,200	$0	$17,174	$16,500	$0	$674	$0	$0	42.72%
30	NORTHWEST FS&LA	$26,700	$868	$2,389	$2,389	$0	$0	$0	$0	8.95%
31	HOMESTATE S&LA	$190,000	$6,700	$44,798	$44,798	$0	$0	$0	$0	23.58%
32	CAPITAL FSB MUTUAL FS&LA	$3,329,000	$0	$85,488	$0	$35,783	$15,214	$33,996	$495	24.29%
33	FIRST OK SB MID AMERICA FS&LA		$0	$95,462	$0	$39,045	$10,152	$40,099	$6,166	
34	KINGFISHER FS&LA SUNBELT SAV FS&LA		$0	$58,333	$0	$34,665	$2,781	$20,296	$591	
35	FRONTIER FS&LA		$0	$279,290	$0	$168,139	$11,378	$94,286	$5,487	
36	CIMARRON FS&LA HOME S&LA PHOENIX FS&LA		$0	$142,464	$0	$23,042	$7,491	$102,466	$9,456	
37	FIRST FS&LA HERITAGE S&LA HOME SB, FA PEOPLES FS&LA		$0	$147,430	$0	$57,537	$21,371	$65,564	$2,958	
38	CITIZENS FS&LA	$62,700	$0	$0	$0	$0	$0	$0	$0	0.00%
39	FIRST FSB	$124,800	$0	$24,499	$17,558	$0	$1,849	$3,513	$1,579	19.63%
40	FIDELITY FS&LA	$41,120	$0	$3,693	$3,605	$0	$0	$0	$88	8.98%
41	ALLEN PARK FS&LA	$689,000	$45,000	$556,867	$0	$322,091	$92,703	$143,423	($1,350)	80.82%

Source: FSLIC records

ATTACHMENT II

ESTIMATED PRESENT VALUE COSTS OF
1988 FSLIC-ASSISTED MERGERS AND ACQUISITIONS

(Unaudited)
(All figures are in thousands)

TRANS	ASSOCIATION	TOTAL ASSETS	ACQUIRER CONTRIBUTION	FSLIC ESTIMATED COST OF ACTION	CASH	NOTE PRINCIPAL AND INTEREST	CAPITAL LOSS COVERAGE	YIELD SUBSIDY	OTHER	FSLIC % COST TO TOTAL ASSETS
	BAY CITY FS&LA GULF COAST S&LA HEIGHTS SA									
42	COOSA FS&LA	$78,400	$0	$12,950	$12,950	$0	$0	$0	$0	16.52%
43	FREEDOM FS&LA	$315,400	$0	$29,283	$0	$29,283	$0	$0	$0	9.28%
44	LOVES PARK FSB	$42,400	$0	$4,958	$4,958	$0	$0	$0	$0	11.69%
45	CHAMPION SA	$656,700	$0	$533,366	$0	$200,026	$146,257	$178,398	$8,685	81.22%
46	ARSENAL SA, FA FRANKTON FS&LA	$197,000	$0	$34,970	$30,258	$0	$2,356	$2,356	$0	17.75%
47	BUTTERFIELD S&LA	$541,300	$0	$281,169	$0	$236,951	$36,958	$7,260	$0	51.94%
48	DELTA SVGS OF TEXAS FIRST FS&LA GUARANTY FS&LA	$3,190,200	$128,000	$1,489,130	$0	$680,076	$329,844	$540,300	($61,090)	46.68%
49	CREDITBANC SA FRANKLIN SA GREAT WEST SB	$1,184,400	$30,000	$999,545	$0	$262,904	$294,455	$446,061	($3,875)	84.39%
50	UNITED SA OF CNTR IN-FA	$60,800	$0	$8,379	$8,054	$0	$874	$0	($549)	13.78%
51	CITIZEN FS&LA	$53,600	$0	$5,356	$5,356	$0	$0	$0	$0	9.99%
52	ADOBE SB	$47,000	$0	$3,100	$3,100	$0	$0	$0	$0	6.60%
53	CAPITAL FS&LA FIRST FSB OF INDIANA	$341,800	$10,400	$28,000	$28,000	$0	$0	$0	$0	8.19%
54	FIRST FS&LA	$64,400	$0	$25,486	$25,486	$0	$0	$0	$0	39.57%
55	BANC HOME SA FIRST FS&LA HEART O' TEXAS SA ODESSA SA OLNEY SA PETROPLEX SA SAN ANGELO SA SECURITY FS&LA SHAMROCK FSB SOUTHERN S&LA SOUTHWEST S&LA	$3,749,800	$80,000	$1,287,382	$0	$291,761	$399,893	$645,349	($49,621)	34.33%
56	JACKSON COUNTY FS&LA	$273,300	$0	$62,500	$20,500	$0	$27,300	$19,100	($4,400)	22.87%
57	PEOPLES FSB	$374,300	$17,000	$34,900	$34,900	$0	$0	$0	$0	9.32%
58	RELIANCE S&LA	$67,000	$0	$11,841	$11,841	$0	$0	$0	$0	17.67%
59	LINCOLN FS&LA	$1,300,000	$0	$146,788	$37,056	$109,732	$0	$0	$0	11.29%
60	TESORO S&LA	$250,500	$12,000	$160,787	$0	$19,613	$59,456	$84,466	($2,748)	64.19%
61	FLAGSHIP FS&LA	$103,100	$3,000	$23,758	$8,487	$15,271	$0	$0	$0	23.04%
62	SOUTH SIDE S&LA	$59,300	$0	$10,914	$10,024	$0	$890	$0	$0	18.40%
63	MIDAMERICA SB	$252,000	$0	$14,000	$14,000	$0	$0	$0	$0	5.56%

Source: FSLIC records

ATTACHMENT II

ESTIMATED PRESENT VALUE COSTS OF 1988 FSLIC-ASSISTED MERGERS AND ACQUISITIONS

(Unaudited)
(All figures are in thousands)

TRANS	ASSOCIATION	TOTAL ASSETS	ACQUIRER CONTRIBUTION	FSLIC ESTIMATED COST OF ACTION	CASH	NOTE PRINCIPAL AND INTEREST	CAPITAL LOSS COVERAGE	YIELD SUBSIDY	OTHER	FSLIC % COST TO TOTAL ASSETS
64	EASTERN WASHINGTON S&LA	$51,500	$0	$1,975	$1,975	$0	$0	$0	$0	3.83%
65	ROOKS COUNTY S&LA	$32,100	$0	$19,525	$19,525	$0	$0	$0	$0	60.83%
66	AMERICAN HOME SVGS FSB COMMUNITY FIRST FS&LA	$814,600	$0	$166,625	$18,361	$68,072	$50,575	$29,617	$0	20.45%
67	BLOOMFIELD S&LA FA FIRST DEARBORN FA	$881,000	$28,560	$118,293	$0	$141,951	$0	$0	($23,658)	13.43%
68	ROCKY MOUNTAIN FS&LA UNITED SB OF WYOMING	$531,000	$20,600	$180,118	$0	$106,699	$29,519	$42,023	$1,877	33.92%
69	FIRST BORDER SB OHIO VALLEY S&LA	$317,800	$22,342	$90,742	$87,602	$0	$0	$0	$3,140	28.55%
70	GLEN ELLYN FS&LA	$71,300	$0	$20,308	$13,955	$0	$6,353	$0	$0	28.48%
71	COMMODORE SA FIRST FS&LA FIRST WESTERN S&LA HI-PLAINS S&LA FSA HOME S&LA INTERWEST SA LAMESA FS&LA MESQUITE S&LA METROPLEX FSA MINERAL WELLS S&LA NORTHPARK SA RELIANCE SA SENTRY SA SOUTHERN FEDERALBANC S&LA VISTA SA	$1,878,600	$120,000	$1,846,254	$0	$828,699	$404,391	$639,966	($26,802)	98.28%
72	VIRGINIA FS&LA	$689,200	$42,000	$13,500	$13,500	$0	$0	$0	$0	1.96%
73	FIRST TEXAS SA GILBRALTAR SA HOME SA KILLEEN S&LA MONTFORT SA FSA	$12,028,200	$315,000	$5,046,258	$0	$2,056,864	$1,346,093	$1,546,902	$96,399	41.95%
74	AMERICAN S&LA (a)	$30,162,200	$500,000	$1,699,000	$0	$0	$0	$0	$1,699,000	5.63%
75	FIRST FS&LA	$265,700	$0	$4,880	$4,880	$0	$0	$0	$0	1.84%
76	MCLEAN S&LA FS&LA	$298,500	$16,000	$68,674	$10,000	$0	$35,660	$23,014	$0	23.01%
77	FIRST FSB	$264,300	$0	$59,587	$0	$46,261	$41	$0	$13,285	22.55%
78	AMERICAN SB	$970,500	$0	$187,886	$98,797	$24,725	$14,268	$0	$50,096	19.36%
79	BAYVIEW FSA CHARTER S&LA FIRST FS&LA INDEPENDENCE S&LA KEYSTONE S&LA SEGUIN SA UNION SA (GOLIAD S&LA) YOAKUM FS&LA	$854,000	$37,500	$566,203	$0	$160,596	$163,932	$241,675	$0	66.30%
80	BURNET S&LA LEE SA PEOPLES S&LA	$322,000	$26,500	$428,770	$0	$247,344	$113,898	$67,734	($206)	133.16%

Source: FSLIC records

ATTACHMENT II

ESTIMATED PRESENT VALUE COSTS OF
1988 FSLIC-ASSISTED MERGERS AND ACQUISITIONS

(Unaudited)
(All figures are in thousands)

TRANS	ASSOCIATION	TOTAL ASSETS	ACQUIRER CONTRIBUTION	FSLIC ESTIMATED COST OF ACTION	CASH	NOTE PRINCIPAL AND INTEREST	CAPITAL LOSS COVERAGE	YIELD SUBSIDY	OTHER	FSLIC % COST TO TOTAL ASSETS
81	RANCHERS SA COMMUNITY FS&LA	$13,300	$16,200	($6,441)	$0	$1,236	($2,279)	($5,398)	$0	-48.43%
82	GREAT FALLS FS&LA	$134,300	$0	$11,421	$11,000	$0	$421	$0	$0	8.50%
83	PEORIA S&LA	$176,900	$3,300	$17,437	$3,300	$14,137	$0	$0	$0	9.86%
84	FIRST FS&LA SOUTH FLORIDA FS&LA	$1,350,200	$0	$29,000	$29,000	$0	$0	$0	$0	2.15%
85	HOME FS&LA NORTHWEST FS&LA	$177,600	$9,563	$54,766	$0	$53,967	$0	$2,495	($1,696)	30.84%
86	ARROWHEAD FS&LA	$6,600	$0	($7,136)	$0	$0	($3,863)	($3,273)	$0	-108.12%
87	CARDINAL FSB COLUMBIA SVGS FS&LA MILE HIGH FS&LA PATHWAY FINANCIAL FA	$4,984,000	$175,000	$608,224	$0	$259,896	($225,372)	$503,579	$70,121	12.20%
88	UNITED SA OF TEXAS	$4,400,000	$200,000	$1,372,166	$0	$257,075	$520,792	$561,219	$33,080	31.19%
89	LYONS SVGS FS&LA	$1,530,000	$42,500	$385,108	$7,621	$200,352	$12,677	$158,417	$26,341	25.17%
90	CAL AMERICA S&LA FS&LA COLUMBUS S&LA FS&LA FIRST SECURITY FS&LA	$574,100	$25,000	$235,366	$0	$171,099	$37,500	$29,146	($2,379)	41.00%
91	TAHOE S&LA FS&LA	$46,600	$0	$33,794	$33,794	$0	$0	$0	$0	72.52%
92	UNITED FS&LA	$93,700	$0	$8,000	$8,000	$0	$0	$0	$0	8.54%
93	BROWARD FS&LA	$564,000	$20,282	$150,978	$0	$99,533	$28,555	$22,890	$0	26.77%
94	BEVERLY HILLS S&LA FS&L	$1,310,000	$0	$1,144,464	$0	$998,273	$35,957	$88,905	$21,329	87.36%
95	BEACH FS&LA	$1,149,300	$20,000	$74,783	$0	$74,783	$0	$0	$0	6.51%
		$103,516,570	$2,255,227	$33,242,778	$1,296,951	$12,762,595	$7,325,816	$9,968,193	$1,889,214	
			6.35%	93.65%						

(*) The total amount of this costing was placed under "Other" classification due to the nonconforming nature of this bid costing.

Source: FSLIC records

ATTACHMENT II

ATTACHMENT III

ESTIMATED COSTS OF
SOUTHWEST PLAN RESOLUTIONS ACTIONS
THROUGH DECEMBER 31, 1988
(Unaudited)

ACQUIRER	ESTIMATED COSTS OF ASSISTANCE AGREEMENTS (CASH BASIS)	CASH BASIS @					
		CASH	NOTES (PRINCIPAL)	NOTES (INTEREST)	CAPITAL LOSS COVERAGE	YIELD SUBSIDY	OTHER **
COASTAL BANC SA	$237,225	$3,627	$32,639	$35,041	$112,752	$61,870	($8,704)
SOUTHWEST SA	$3,521,024		$569,682	$450,050	$1,738,990	$762,302	
MERABANK FSB	$1,241,227		$187,602	$153,658	$662,206	$257,014	($19,253)
GIBSON GROUP, INC.	$2,379,171		$535,743	$472,633	$752,155	$617,277	$1,363
SUNBELT SA	$11,509,284		$2,459,761	$2,383,834	$4,061,931	$2,603,758	
PULTE DIVERSIFIED CO.	$1,993,689		$511,840	$526,547	$562,961	$429,733	($37,392)
TEMPLE-INLAND	$2,808,221		$710,146	$681,456	$804,641	$700,065	($88,087)
CLUB CORPORATION	$1,620,461		$264,443	$258,962	$538,782	$571,406	($13,132)
ADAM CORPORATION	$2,293,491		$303,408	$283,990	$950,953	$819,216	($64,076)
AMERICITY FSB	$281,661		$21,233	$18,945	$142,163	$108,324	($9,004)
CFSB CORPORATION	$3,377,666		$836,702	$807,083	$946,449	$821,432	($34,000)
UTLEY FORD	$8,908,369		$2,106,126	$1,925,459	$2,743,863	$2,049,848	$83,073
PACIFIC USA HOLDINGS	$986,968		$161,738	$150,370	$365,304	$309,556	
CENTEX CORPORATION	$813,222		$222,900	$246,702	$256,318	$87,597	($295)
HYPERION PARTNERS	$2,200,353		$261,135	$242,805	$946,338	$717,982	$32,093
TOTAL	$44,172,032	$3,627	$9,185,098	$8,637,535	$15,585,806	$10,917,380	($157,414)**

** "Other" column includes mark to market adjustments, prepayment penalties on FHLB advances and projected future income from FSLIC ownership interests and return of tax benefits.

@ All figures in thousands.

Source: FSLIC Records

ATTACHMENT III

ESTIMATED COSTS OF
SOUTHWEST PLAN RESOLUTIONS ACTIONS
THROUGH DECEMBER 31, 1988
(Unaudited)

ACQUIRER	ESTIMATED COST OF ASSISTANCE AGREEMENTS (PRESENT VALUE)	PRESENT VALUE BASIS @ CASH	NOTES (PRINCIPAL)	NOTES (INTEREST)	CAPITAL LOSS COVERAGE	YIELD SUBSIDY	OTHER **
COASTAL BANC SA	$146,226	$3,627	$12,584	$22,569	$52,001	$52,888	$2,557
SOUTHWEST SA	$1,980,323		$219,637	$290,136	$817,137	$653,413	
MERABANK FSB	$665,655		$69,122	$96,177	$291,277	$215,326	($6,247)
GIBSON GROUP, INC.	$1,313,780		$197,393	$297,739	$317,319	$481,404	$19,925
SUNBELT SA	$6,166,657		$918,691	$1,492,472	$1,721,553	$2,033,941	
PULTE DIVERSIFIED CO.	$1,090,233		$191,189	$330,929	$238,959	$335,846	($6,690)
TEMPLE-INLAND	$1,489,130		$253,385	$426,691	$329,844	$540,300	($61,090)
CLUB CORPORATION	$999,545		$98,766	$164,138	$294,455	$446,061	($3,875)
ADAM CORPORATION	$1,287,382		$113,319	$178,442	$399,893	$645,349	($49,621)
AMERICITY FSB	$160,787		$7,823	$11,790	$59,456	$84,466	($2,748)
CFSB CORPORATION	$1,846,254		$313,405	$515,294	$404,391	$639,966	($26,802)
UTLEY FORD	$5,046,258		$822,383	$1,234,481	$1,346,093	$1,546,902	$96,399
PACIFIC USA HOLDINGS	$566,203		$63,990	$96,606	$163,932	$241,675	
CENTEX CORPORATION	$428,770		$87,039	$160,305	$113,898	$67,734	($206)
HYPERION PARTNERS	$1,372,166		$102,760	$154,315	$520,792	$561,219	$33,080
TOTAL	$24,559,369	$3,627	$3,471,486	$5,472,084	$7,071,000	$8,546,490	($5,318)**

** "Other" column includes mark to market adjustments, prepayment penalties on FHLB advances and projected future income from FSLIC ownership interests and return of tax benefits.

All figures in thousands.

Source: FSLIC Records

ATTACHMENT III

CAPITAL CONTRIBUTIONS AND COSTS OF ACTIONS
UNDER THE SOUTHWEST PLAN
THROUGH DECEMBER 31, 1988
(Unaudited)
(all figures in thousands)

ACQUIRER	THRIFTS ACQUIRED	ACQUIRER CONTRIBUTION	FSLIC ASSISTANCE	TOTAL ASSETS OF ACQUIRED ASSOCIATIONS	FSLIC COST AS A PERCENT OF ASSETS
COASTAL BANC SA	ALLIANCE S&LA	$3,500	$146,226	$455,800	32.08%
	COLORADO COUNTY FS&LA				
	SECURITY S&LA				
	CAMERON COUNTY SA				
SOUTHWEST SA	LAMAR SA				
	CITY S&LA	$25,000	$1,980,323	$3,998,400	49.53%
	STOCKTON SA				
	BRIERCROFT SA				
MERABANK FSB	BROWNFIELD FS&LA	$28,800	$665,655	$824,000	80.78%
	FIRST FINANCIAL				
	STATE FS&LA OF LUBBOCK				
GIBSON GROUP, INC.	IRVING SA	$48,000	$1,313,780	$2,217,200	59.25%
	LONGVIEW S&LA				
	GLADEWATER FS&LA				
	RICHARDSON S&LA				
	MAJESTIC SA				
	COMMERCE FS&LA				
	PARIS S&LA				
	AMERICAN BANC SA				
	SKYLINE SA				
	BEN MILAM S&LA				
	MERCURY SA				
	SOUTHLAND SA				
SUNBELT SA	SUNBELT SA	$0	$6,166,657	$4,826,300	127.77%
	INDEPENDENT AMERICAN SA				
	SUMMIT SA				
	WESTERN FS&LA				
	TEXANA S&LA				
	FEDERATED S&LA				
	FIRST CITY SA				
	MULTIBANC SA				

Source: FSLIC records

ATTACHMENT III

CAPITAL CONTRIBUTIONS AND COSTS OF ACTIONS
UNDER THE SOUTHWEST PLAN
THROUGH DECEMBER 31, 1988
(Unaudited)
(all figures in thousands)

ACQUIRER	THRIFTS ACQUIRED	ACQUIRER CONTRIBUTION	FSLIC ASSISTANCE	TOTAL ASSETS OF ACQUIRED ASSOCIATIONS	FSLIC COST AS A PERCENT OF ASSETS
PULTE DIVERSIFIED	ALLENPARK FS&LA	$45,000	$1,090,233	$1,345,700	81.02%
	BAY CITY FS&LA				
	GULF COAST S&LA				
	HEIGHTS SA, FSB				
	CHAMPION SA				
TEMPLE-INLAND	DELTA SVGS OF TEXAS	$128,000	$1,489,130	$3,190,200	46.68%
	GUARANTY FS&LA				
	FIRST FS&LA				
CLUB CORPORATION	CREDITBANC SA	$25,000	$999,545	$1,184,400	84.39%
	FRANKLIN SA				
	GREAT WEST SB				
ADAM CORPORATION	BANC HOME SA	$80,000	$1,287,382	$3,749,800	34.33%
	FIRST FS&LA				
	HEART O' TEXAS SA				
	ODESSA SA				
	OLNEY SA				
	PETROPLEX SA				
	SAN ANGELO SA				
	SECURITY FS&LA				
	SHAMROCK FSB				
	SOUTHERN S&LA				
	SOUTHWEST S&LA				
AMERICITY FSB	TESORO S&LA	$12,000	$160,787	$250,500	64.19%
CFSB CORPORATION	MESQUITE S&LA	$120,000	$1,846,254	$1,878,600	98.28%
	LAMESA FS&LA				
	HOME S&LA				
	VISTA SA				
	HI-PLAINS S&LA FSA				
	RELIANCE SA				
	FIRST WESTERN S&LA				
	METROPLEX FSA				
	SOUTHERN FEDERALBANC S&LA				
	COMMODORE SA				
	MINERAL WELLS S&LA				
	SENTRY SA				
	INTERWEST SA				
	NORTHPARK SA				
	FIRST FS&LA				

Source: FSLIC records

ATTACHMENT III

CAPITAL CONTRIBUTIONS AND COSTS OF ACTIONS
UNDER THE SOUTHWEST PLAN
THROUGH DECEMBER 31, 1988
(Unaudited)
(all figures in thousands)

ACQUIRER	THRIFTS ACQUIRED	ACQUIRER CONTRIBUTION	FSLIC ASSISTANCE	TOTAL ASSETS OF ACQUIRED ASSOCIATIONS	FSLIC COST AS A PERCENT OF ASSETS
UTLEY FORD	HOME SA GIBRALTAR SA MONTFORT SA FSA KILLEEN S&LA FIRST TEXAS SA	$315,000	$5,046,258	$12,028,200	41.95%
PACIFIC USA	CHARTER S&LA KEYSTONE S&LA BAYVIEW FSA FIRST FS&LA INDEPENDENCE S&LA YOAKUM FS&LA UNION SA (GOLIAD S&LA) SEGUIN SA	$37,500	$566,203	$854,000	66.30%
CENTEX CORPORATION	BURNET S&LA LEE SA RANCHERS SA PEOPLES S&LA	$26,500	$428,770	$322,000	133.16%
HYPERION PARTNERS	UNITED SA OF TEXAS	$200,000	$1,372,166	$4,400,000	31.19%
		$1,094,300	$24,559,369	$41,525,100	59.14%
		4.27%	95.73%		

Source: FSLIC Records

ATTACHMENT IV

PROJECTED TREASURY CASH REQUIREMENTS
UNDER CURRENT ADMINISTRATION FUNDING PROPOSAL
FOR FISCAL YEARS 1989 THROUGH 1999
(all amounts in billions)

	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995 - FY 1999	TOTAL
SOURCES OF CASH:								
OPENING CASH BALANCE AVAILABLE FOR DISBURSEMENT	$1.4							$1.4
FICO PROCEEDS	$3.8	$3.3						$7.1
REFCORP PROCEEDS	$10.0	$25.0	$15.0					$50.0
GROSS INSURANCE PREMIUMS	$2.1	$2.3	$2.7	$2.9	$3.1	$2.6	$16.0	$31.7
Less: FICO Interest	($0.6)	($0.9)	($1.0)	($1.0)	($1.0)	($1.0)	($5.2)	($10.7)
Secondary Reserve	($0.1)	($0.1)	($0.1)	($0.1)	($0.3)			($0.7)
Defease New Bonds		($1.7)	($1.7)					($3.4)
PRE 89 RECEIVERSHIPS & CORPORATE HELD ASSETS	$1.4	$1.4	$1.2	$1.0	$1.4	$1.5	$1.9	$9.8
MISCELLANEOUS COLLECTIONS	$0.5	$0.4	$0.4	$0.3	$0.4	$0.5	$2.1	$4.6
TOTAL SOURCES	$18.5	$29.7	$16.5	$3.1	$3.6	$3.6	$14.8	$89.8
USES OF CASH:								
PRE 89 ASSISTANCE ACTIONS	$6.2	$4.4	$3.8	$4.2	$3.4	$2.9	$4.8	$29.7
INTEREST EXP. / FSLIC NOTES	$1.4	$1.5	$1.1	$0.9	$0.8	$0.7	$2.8	$9.2
PRE 87 NOTE RETIREMENT			$0.2		$0.2			$0.4
POST 86 NOTE RETIREMENT	$0.4	$0.3	$0.1		$1.1		$17.3	$19.2
RTC RESOLUTION ACTIONS	$10.0	$25.0	$15.0					$50.0
POST RTC (SAIF) RESOLUTIONS			$2.0	$2.4	$3.6	$2.0	$14.0	$24.0
ESTABLISH NEW FUND (SAIF)				$1.0	$1.1	$1.1	$5.6	$8.8
MISCELLANEOUS USES	$0.3	$0.3	$0.3	$0.3	$0.3	$0.2	$1.2	$2.9
TOTAL USES	$18.3	$31.5	$22.5	$8.8	$10.5	$6.9	$45.7	$144.2
TREASURY CONTRIBUTIONS REQUIRED TO ANNUALLY FUND FSLIC / RTC / SAIF	($0.2)	$1.8	$6.0	$5.7	$6.9	$3.3	$30.9	$54.4
Add: Treasury Contribution for REFCORP Interest	$0.5	$1.4	$1.6	$0.9	$0.8	$1.1	$15.7	$22.0
TOT. CASH REQUIRED FROM TREASURY a/	$0.3	$3.2	$7.6	$6.6	$7.7	$4.4	$46.6	$76.4

a/ According to the Treasury, if the entire amount of $76.4 billion is borrowed, it would have to pay interest of about $16 billion during the 11-year period. This amount is not included in the estimate of Treasury's cash needs.

Source: Analysis of Office of Management and Budget's budget analysis

ATTACHMENT IV

PROJECTED TREASURY CASH REQUIREMENTS
UNDER CURRENT ADMINISTRATION FUNDING PROPOSAL
FOR FISCAL YEARS 1989 THROUGH 1999
(all amounts in billions)

	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995 - FY 1999	TOTAL
TOTAL CASH REQUIRED FROM TREASURY	$0.3	$3.2	$7.6	$6.6	$7.7	$4.4	$46.6	$76.4
Less: Additional FDIC Premiums		($0.8)	($1.6)	($1.7)	($1.8)	($1.9)	($12.0)	($19.8)
TREASURY REQUIREMENTS, NET	$0.3	$2.4	$6.0	$4.9	$5.9	$2.5	$34.6	$56.6
Add: Notes issued during FY 1989	$9.7							$9.7
Use of existing cash to fund operations	$1.4							$1.4
Less: Repayment of FSLIC notes previously scored against the budget	($0.4)	($0.3)	($0.1)		($1.1)		($17.3)	($19.2)
Amount contributed to establish new fund (SAIF)				($1.0)	($1.1)	($1.1)	($5.6)	($8.8)
NET BUDGET IMPACT	$11.0	$2.1	$5.9	$3.9	$3.7	$1.4	$11.7	$39.7

Source: Office of Management and Budget

ATTACHMENT IV

SOURCES AND ALLOCATION OF FINANCING
FOR THE THRIFT INDUSTRY BAILOUT
UNDER THE CURRENT ADMINISTRATION PROPOSAL
FOR FISCAL YEARS 1989 THROUGH 1999

SOURCE	FSLIC / RTC / SAIF	REFCORP	INTEREST ON FICO BONDS	OTHER	TOTAL
Cash Contributions from the Treasury	$54.4	$22.0			$76.4
FICO and REFCORP Bond Sale Proceeds	$57.1				$57.1
S&L Industry	$16.9	$3.3	$10.7	$0.7	$31.6
Federal Home Loan Banks		$5.1			$5.1
Proceeds from Claims against Receiverships	$9.8	$12.0			$21.8
Other Sources	$6.0				$6.0
TOTAL	$144.2	$42.4	$10.7	$0.7	$198.0

Source: Office of Management and Budget