



Safety and Soundness of the Banking Industry

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Banks are well capitalized and prepared for economic fluctuations

- Banks are well-positioned to handle economic downturns, and if necessary, take steps to put losses behind them.
- Customers' deposits are protected by FDIC insurance. Not one penny of insured savings has ever been lost by a customer of a federally insured bank. Even better, the FDIC has temporarily raised its coverage amount from \$100,000 to \$250,000 per depositor per insured bank through Dec. 31, 2009.
- Banking's capital – which serves as a “rainy day fund” in case of losses – is near historic highs. As of year-end 2008, the industry held \$1.3 trillion in capital plus \$173 billion in reserves for a total buffer of \$1.5 trillion, according to the FDIC.
- The vast majority of banks are “highly capitalized” – the highest rating available.

Banks have resources to meet the needs of their communities

- With \$7.5 trillion in deposits, banks have plenty of resources to meet the lending needs in their communities. Banks put this money to work in their communities by providing loans and other financial services.
- Even in the face of this economic downturn, banks are actively looking for good loans to make and credit-worthy borrowers.
- Our diversified industry of 8,300 banks with 97,000 locations nationwide stands ready to serve customers. The vast majority of banks have been in existence for decades and plan to serve their customers for many, many more.

Bank risk management has improved dramatically

- Banks have increasingly put enterprise-wide risk management processes in place, increased the use of sophisticated risk-management procedures, and implemented strong systems of checks and balances.
- Advances in collecting data and benchmarking performance, identifying key risk indicators, and controlling operational risks have all contributed to sound banking.

Regulation and supervision of bank risk has also improved

- The FDIC works hard to nurse banks off of their problem bank list, so it's important that this list be kept confidential. On average, the vast majority (87 percent) of banks on this list come back to healthy status – continuing to make loans in their local communities.
- Federal laws adopted since 1991 have significantly strengthened bank regulation.
- The regulators have also fortified examination practices. They adopted a supervision-by-risk approach to get bankers and examiners to focus on the quality of risk management systems and have continued to advance expectations for risk management.
- Auditing and internal control standards have also toughened.