2008 ABA Issue Summary

Safety and Soundness of the Banking Industry

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Banks are highly 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. Not one penny of insured savings has ever been lost by a customer of a federally insured bank. Deposits are insured by the FDIC for up to $100,000 per depositor per insured bank and up to $250,000 for retirement accounts.
- Banking's capital – which serves as a "rainy day fund" in case of losses – is near historic highs. As of June 2008, the industry held $1.35 trillion in capital plus $144 billion in reserves for a total buffer of $1.5 trillion.
- The vast majority (98 percent) of banks are highly capitalized.

Banks have resources to meet the needs of their communities

- With $8.6 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.
- As of June 2008, banks loan portfolios grew by $28.2 billion. Not surprisingly, real estate loans declined – but all other major loan categories were up, demonstrating that the local bank continues to be the best source of business and personal loans.
- Our diversified industry of more than 8,500 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.