

# 1992 ANNUAL REPORT



RESOLUTION TRUST CORPORATION

**Resolving The Crisis  
Restoring The Confidence**





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Resolving The Crisis  
Restoring The Confidence

October 29, 1993

Resolution Trust Corporation  
Washington, D.C.

Sirs:

In accordance with the provisions of section 501 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, the Resolution Trust Corporation is pleased to submit its Annual Report for 1992. Financial operating plans and forecasts have been provided separately.

Very truly yours,

A handwritten signature in black ink, appearing to read "Roger C. Altman". The signature is fluid and cursive, with a large initial "R" and "A".

Roger C. Altman  
Chief Executive Officer

The President of the U.S. Senate

The Speaker of the U.S. House of Representatives

## Chief Executive Officer's Statement

The Resolution Trust Corporation (RTC) has confronted a host of difficult challenges since its creation in August of 1989. The challenge of 1993 is to implement the ambitious management reform agenda outlined by Treasury Secretary Lloyd Bentsen at his March appearances before the House and Senate Banking Committees.

The management reform plan includes the following nine goals:

- Strengthening internal controls;
- Providing an audit follow-up system;
- Preparing a comprehensive business plan;
- Expanding opportunities for minorities and women;
- Improving the Professional Liability Section;
- Improving the management information systems;
- Strengthening contractor oversight;
- Appointing a Chief Financial Officer; and
- Appointing an Audit Committee.

This ambitious program should place the RTC on a sound management footing and give renewed emphasis to one of the RTC's central objectives: maximizing savings to the taxpayers.

We also must plan to wind down the RTC as soon as possible without impairing its operations, and ensure an orderly transition of personnel and systems to the FDIC. Accordingly, Secretary Bentsen asked the FDIC and the RTC to establish a joint task force to smooth the transition process. This task force has been established and is beginning its work.

This management reform agenda builds on the RTC's primary focus in 1992—managing a shift in priorities while maintain-

ing the momentum established in the RTC's first two years of operation. Until 1992, the RTC focused on closing hundreds of insolvent savings and loans. In 1992, however, with the bulk of this task completed, the RTC shifted more of its attention to marketing its remaining inventory of assets—three-fourths of which were such hard-to-sell assets as land and non-performing loans. The RTC also needed to streamline its operations.

Early in 1992, RTC management took action to confront the necessary changes—a process which involved removing layers of bureaucracy, consolidating offices and delegating more decision-making authority to a new hands-on executive committee. The RTC also unveiled two pioneering programs designed to sell hard-to-sell distressed assets, the National Land Fund and the Multiple Investor Fund. Both received positive attention from other government agencies and private sector firms involved in managing distressed assets.

Even as this shift in priorities was gaining momentum, RTC's resolution activities suffered a severe setback. The RTC's funding expired in April of 1992, and the RTC had to suspend its resolutions of failed thrifts for the remainder of the year. The RTC is now waiting for Congress to authorize the last installment of funds needed to complete its job.

The RTC has had one of the toughest government missions in U.S. history, and has made substantial progress toward carrying out that mission—despite funding delays and the controversy surrounding such a large and complex undertaking. Much of the credit for these achievements rests with the dedication and professionalism of the RTC's employees, both career and temporary.

Finally, I extend the RTC's recently nominated CEO the very best wishes for a speedy confirmation and a successful completion of the final chapter of this most important and challenging task.



Roger C. Altman  
Chief Executive Officer

August 5, 1993

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## Introduction

**W**ith Congress' passage of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the Resolution Trust Corporation (RTC) was established on August 9, 1989. Its job is to resolve the crisis in the savings and loan industry created during the 1980s by, in many cases, risky investments, fraud, and mismanagement at the thrifts.

Six months prior to FIRREA's enactment, the Federal Deposit Insurance Corporation (FDIC) led an interagency effort to evaluate and oversee the operations of the nation's insolvent thrifts, which had been rapidly increasing in numbers. Joining the FDIC in this task were the Federal Savings and Loan Insurance Corporation (FSLIC), the Federal Home Loan Bank Board, the Federal Reserve Board, and the Office of the Comptroller of the Currency. The FDIC took control of 262 ailing thrifts during this period (each of which was placed in conservatorship or receivership), which the RTC inherited upon its establishment in August 1989.

The RTC's mission is to contain, manage, and sell failed savings institutions and recover taxpayer

funds through the management and sale of the institutions' assets. These thrifts are ones that had been insured by FSLIC for which a conservator or receiver was appointed during the period January 1, 1989, through September 30, 1993.

FIRREA also mandates the RTC to maximize the net present value return from the sale or other disposition of failed thrifts and their assets, minimize the impact of such transactions on local real estate and financial markets, minimize the amount of any loss realized in the resolution of the insolvent thrifts, and maximize the availability and affordability of residential real property for low- and moderate-income individuals.

To ensure that as many S&L violators as possible are punished, and to recover money for taxpayers from wrongdoers, the RTC also has the authority to investigate, initiate civil litigation, and make criminal referrals in cases involving former officers, directors, and other professionals who contributed to the downfall of the thrifts.

On November 27, 1991, Congress passed the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991

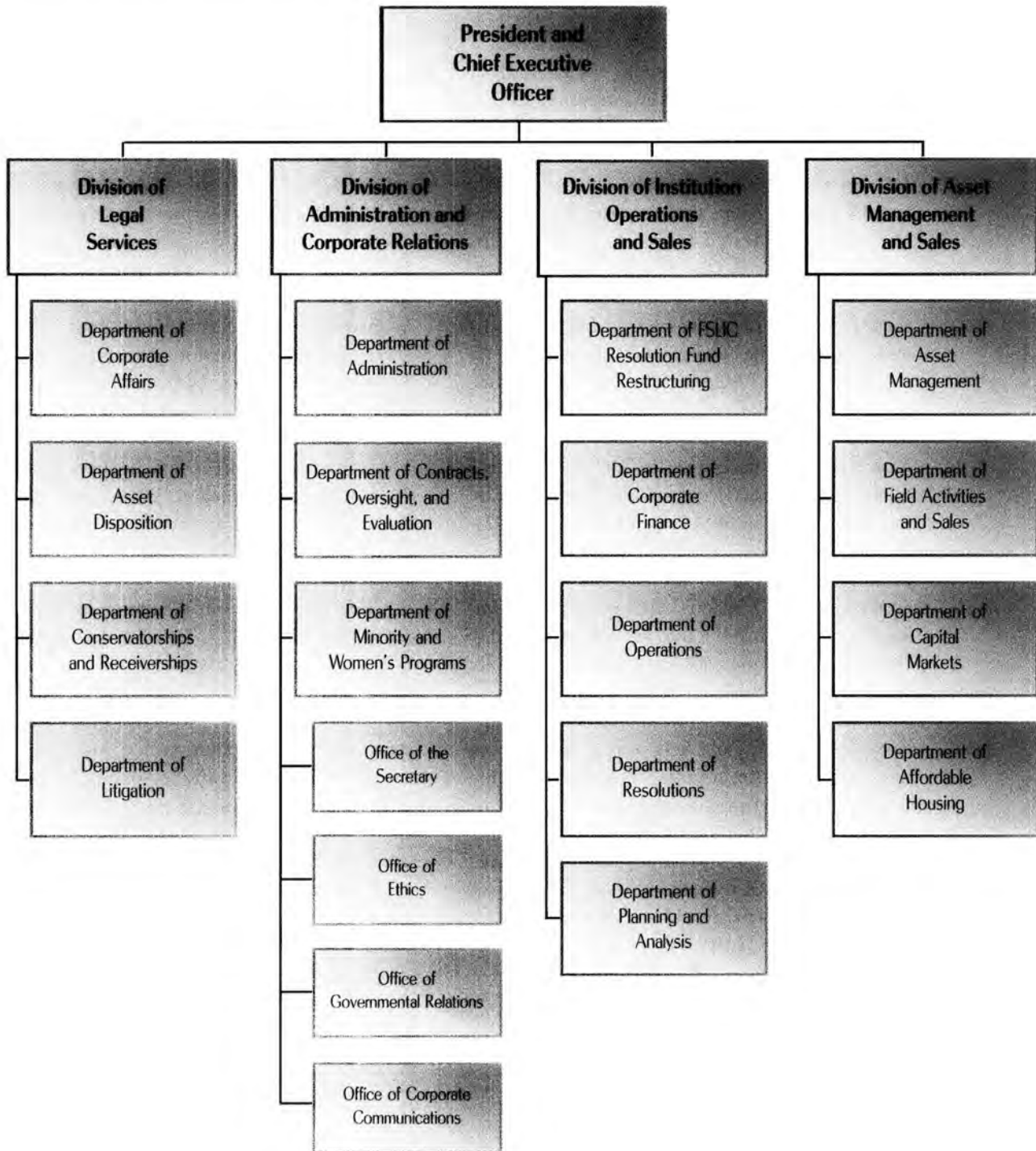
### RTC Executive Committee

L-R (seated): William H. Roelle, Chairman (Senior Vice President and Chief Financial Officer, Division of Institution Operations and Sales); Lamar C. Kelly, Jr. (Senior Vice President, Division of Asset Management and Sales); Richard T. Aboussie (Acting Senior Vice President and General Counsel, Division of Legal Services).

L-R (standing): Barry S. Kolatch (Vice President, Department of Planning and Analysis); Thomas P. Horton (Vice President, Department of Field Activities and Sales).



WASHINGTON OFFICE STRUCTURE



(H.R.3435), which provided the RTC with \$25 billion more in funding through April 1, 1992; extended the RTC's ability to accept appointment as conservator or receiver from August 9, 1992, set forth in FIRREA, to September 30, 1993; redesignated the RTC Oversight Board as the Thrift Depositor Protection Oversight Board and restructured its membership; abolished the RTC Board of Directors and removed the FDIC as exclusive manager of the RTC; and created the office of Chief Executive Officer of the RTC, requiring appointment to that office by the President with the advice and consent of the Senate.

After April 1, 1992, the RTC was left without additional funding to resolve failed savings and loan institutions. Despite Congress' failure to provide more funds, during the year the RTC took control of 50 savings and loans determined to be insolvent by the Office of Thrift Supervision (OTS). In 1992, the RTC also closed or sold 69 insolvent savings institutions and achieved asset sales and collections of approximately \$77 billion (net of putbacks). From inception through 1992, the RTC closed or sold 653 thrifts; total sales and collections amounted to \$305 billion (net of putbacks).

The RTC operates from its headquarters in Washington, D.C., and field offices and sales centers throughout the country. In 1992, at the direction of the President and CEO, the RTC began to downsize the agency—consolidating its 19 field and regional offices, and eliminating duplicative efforts throughout the organization—as it moved closer to its sunset date of December 31, 1996. At yearend, the RTC had 13 field offices and 14 sales

centers nationwide, including the National Sales Center in Washington, D.C.

During 1992 and through March 15, 1993, Albert V. Casey, RTC President and CEO, directed the daily executive and administrative functions of the agency. The Executive Committee, which replaced the RTC Board of Directors in 1992, consists of three senior vice presidents and two vice presidents. In 1992, the committee members were Richard T. Aboussie, Acting Senior Vice President and General Counsel, Division of Legal Services; William H. Roelle, Senior Vice President and Chief Financial Officer, Division of Institution Operations and Sales; Lamar C. Kelly, Jr., Senior Vice President, Division of Asset Management and Sales; Barry S. Kolatch, Vice President, Department of Planning and Analysis; and Thomas P. Horton, Vice President, Department of Field Activities and Sales. The committee serves as the policy-setting entity of the RTC and addresses major operational matters.

The Thrift Depositor Protection Oversight Board reviews the RTC's overall strategies, policies, and goals, including those deemed likely to impact significantly on the RTC's financial condition, its operations, or its cash flows; or those it deems to involve substantial public policy issues. The Board's membership includes the Secretary of the Treasury, who chairs the Board; the Chairman of the FDIC Board of Directors; the RTC CEO; the Director of the OTS; the Chairman of the Board of Governors of the Federal Reserve System; and two independent members appointed by the President, with the advice and consent of the Senate.





# LEGAL SERVICES

**T**he Division of Legal Services provides comprehensive legal services to the RTC. The division advises the Washington and field staffs on such issues as resolutions, conservatorship and receivership operations, and litigation, as well as special issues, including the RTC's statutory authority and responsibilities, and environmental matters. In 1992, the division restructured and consolidated its staff into six field sites as part of the Corporation's reorganization.

The General Counsel heads the division and serves as the principal legal advisor to the RTC's President and CEO. The division is organized into four departments: Corporate Affairs, Asset Disposition, Conservatorships and Receiverships, and Litigation.

### **Department of Corporate Affairs**

**T**he Department of Corporate Affairs oversees any legal matters pertaining to the Corporation's internal corporate structure, governance, and procedure, as well as legislative and policy matters.

The department also handles all personnel, labor-relations, and general employment matters involving the RTC as a federal employer. The department is comprised of the Offices of Corporate Issues, Special Projects, and Employment and Labor Law.

### **Office of Corporate Issues**

During the year, the Office of Corporate Issues provided legal analysis of legislation impacting on the RTC, including several funding bills and the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991. The office drafted a proposal to restructure the RTC in conformity with the new law, and coordinated the drafting of all delegations of authority for the Corporation.

The office also prepared an opinion on the applicability of the Americans with Disabilities Act to the RTC, and led a working group that produced a draft policy on the applicability of the act to public spaces at RTC receiverships and conservatorships. The office administered the Settlement/Workout Asset Team Program, which uses teams of attorneys and asset specialists to expedite the resolution of problem assets.

### **Office of Special Projects**

The Office of Special Projects provided legal support on tax and environmental law, and implemented the computerized tracking system for legal matters—the RTC Legal Information System (RLIS). During 1992, RLIS was fully operational in every RTC office, providing an on-line, integrated tracking and payment database for all legal matters referred to outside counsel. In addition, the office's Alternative Dispute Resolution Unit helped to settle 164 legal disputes, resulting in

the resolution of \$5 billion in claims against the RTC. The unit oversees the resolution of disputes with, and claims against, the RTC, the FDIC, other federal and state government agencies, and outside parties through negotiation, mediation, and arbitration. These disputes and claims were inherited by the RTC when it became conservator or receiver of the failed thrifts, and dealt with mostly failed loans or taxes owed to the Internal Revenue Service.

The office established and oversaw a legal review process for all environmental site assessments performed on all RTC real estate owned properties. The office also initiated litigation against the Financial Institutions Retirement Fund (FIRF) to recover surplus funds in retirement plan accounts that FIRF refused to distribute to RTC receiverships.

### **Office of Employment and Labor Law**

In 1992, the Office of Employment and Labor Law was established, which developed procedures to coordinate personnel and employment matters with the Offices of Human Resources Management, Inspector General, and Ethics. During the year, the office represented the RTC in 39 employment actions brought before the Federal Labor Relations Authority, the Equal Employment Opportunity Commission, the Merit Systems Protection Board, and the Department of Justice in federal district court.

## Department of Asset Disposition

The Department of Asset Disposition reviews the legal aspects of RTC asset sales, including the disposition of high-yield and other securities, and performing and non-performing loans through securitized transactions. The department is comprised of the Offices of Real Estate, and Securities and Finance.

### Office of Real Estate

In 1992, the Office of Real Estate assisted the Office of National Sales in closing more than \$7 billion (book value) in sales of real estate and loans secured by real estate through sealed-bid offerings, portfolio sales, and open-cry auctions.

The office also assisted in structuring the National Land Fund, a limited partnership arrangement designed to sell \$2 billion in undeveloped land and loans secured by land. Private sector firms acting as the general partner for the fund will manage and market its assets in 1993.

### Office of Securities and Finance

In 1992, the Office of Securities and Finance assisted with 34 mortgage-backed securities transactions, resulting in the sale of more than \$23 billion (book value) of single-family, multifamily, commercial, manufactured housing, and home equity loans. In addition, the office assisted in the development of programs for the disposition of consumer loans, subordinate securities, and reserve funds.

The office also participated in the structuring and implementation of the RTC's Multiple Investor Fund program, in which the RTC is expected to sell between \$2 billion and \$6 billion in non-performing and sub-performing loans in 1993. In addition, the office assisted in disposing of a variety of high-yield and other securities through the Securities Sales Program. The RTC sold over \$1 billion (face value) in junk bonds and equity securities through the program during 1992. The office also assisted in disposing of portfolios of broadly syndicated corporate loans through the Highly Leveraged Transactions Sales Program and in implementing the Cash Management Program for the investments of receivership cash balances.

## Department of Conservatorships and Receiverships

The Department of Conservatorships and Receiverships provides legal advice and support to conservatorship and receivership operations, legal counsel and documentation for sales of subsidiaries, and all documentation required when the RTC takes over and resolves failed thrifts. The department consists of the Offices of Conservatorships, Receiverships, and Resolutions; and Contracting.

## Office of Conservatorships, Receiverships, and Resolutions

The Office of Conservatorships, Receiverships, and Resolutions provided legal support for 16 major thrift resolutions (resolutions of thrifts with liabilities exceeding \$500 million as of the date of conservatorship) in 1992, representing an aggregate of more than \$16 billion in deposits. In addition, the office assisted with the termination of 34 receiverships, which was accomplished through the RTC's purchase of the remaining receivership assets and its payment of final dividends to creditors of the former institutions.

### Office of Contracting

The Office of Contracting helped to revamp the RTC's entire contracting process and issued a revised Contracting Policy and Procedures Manual. These changes were made to reflect new policies and administrative changes, including the revision of the Contractor Complaint Resolution process, clarification of the non-competitive provision for awards under \$5,000, and redefinition of the ownership requirements for minority- and women-owned businesses. The office also handled 72 ethics matters, assisted in the resolution of contractor conflicts of interest, and reviewed investigative findings of the Office of Inspector General relating to enforcement cases.

## Department of Litigation

The Department of Litigation oversees and coordinates all of the litigation affecting the RTC, including trial and appellate litigation in all federal and state courts; claims against directors, officers, accountants, and attorneys of failed financial institutions; and claims and proceedings in bankruptcy. The department consists of the Offices of Complex Litigation, Litigation, and Professional Liability.

### Office of Complex Litigation

The Office of Complex Litigation is responsible for all bankruptcy cases and litigation involving junk bond investments.

The office handled junk bond claims against Drexel Burnham Lambert, Michael Milken, and other former employees of Drexel. The office negotiated a number of settlements in 1992 involving junk bond claims, including a settlement in the Drexel bankruptcy case and a "global settlement" with Milken, his associates, and affiliates. Total recoveries from junk-bond-related cases should ultimately reach \$1 billion, including \$503 million from the global settlement with Milken.

The office's Bankruptcy Section handled over 11,000 bankruptcy cases in 1992. A persistent issue for the RTC in some bankruptcy cases has been the relationship between the RTC's powers to dispose of assets of

failed thrift institutions and the powers of the bankruptcy courts to control such assets. In 1992, the RTC won a significant victory on this issue when it obtained an appellate court decision that a bankruptcy court could not restrain the RTC from exercising control over the subsidiaries of the failed Oak Tree Savings Bank, New Orleans, Louisiana. The Office of Complex Litigation closely monitors cases involving the RTC's powers and regularly assigns them to in-house attorneys who argue the RTC's position in court.

### Office of Litigation

The Office of Litigation is composed of two Trial Litigation Units and an Appellate Litigation Unit.

Trial unit attorneys, along with the RTC's field office litigators, oversaw more than 34,000 cases in state and federal trial courts in 1992. The trial units were directly involved in more than 1,000 "significant issue" cases, which involve the interpretation of RTC policy or may set a precedent for future RTC cases.

During 1992, the appellate unit directly supervised the preparation of briefs on more than 400 matters pending in state appellate courts and in the 11 United States Circuit Courts of Appeal. Many of these cases were argued by members of the appellate unit.

In addition to its litigation-management duties, the office advised senior management on matters relating to litigation policy; acted as a liaison with other federal agencies, such as the

Department of Justice, on litigation-related issues of mutual interest; participated in training activities and acted as a resource for the RTC's field office litigators; and prepared and published the comprehensive two-volume RTC Litigation Deskbook, which, at yearend, was in the process of being updated.

### Office of Professional Liability

By yearend 1992, the Office of Professional Liability was in the process of prosecuting 233 civil actions, including 194 RTC-initiated lawsuits and 39 other RTC-related lawsuits, for improper conduct by directors, officers, attorneys, appraisers, accountants, and other professionals who provided services to 167 failed thrifts. At yearend, investigations were underway on one or more claims in 381 thrifts.

By yearend, \$328 million had been collected in settlements and judgments in professional liability cases. Settlement negotiations with defendants in the RTC's case against professionals, insiders, and borrowers at Lincoln Savings and Loan Association, Irvine, California, have resulted in agreed-to settlements totaling over \$115.8 million, of which the RTC had recovered \$95.4 million by yearend. In addition, the RTC, along with the FDIC and the Office of Thrift Supervision, entered into a global settlement with the accounting firm of Ernst & Young, New York, New York. The RTC's share of this settlement is over \$128 million.



# ADMINISTRATION AND CORPORATE RELATIONS

The Division of Administration and Corporate Relations provides administrative and related services to the RTC in a wide range of areas, including personnel, contracting, information services, and minority and women's programs. During 1992, the division also helped to implement the reorganization plan of the Corporation as the RTC began to downsize its operations.

The division is comprised of three departments and four offices that report directly to the division vice president.

### **Department of Administration**

The Department of Administration is the main provider of corporate services, and is the central point for analyzing and proposing changes to the Corporation's organizational structure. The department consists of the Offices of Corporate Information, Human Resources Management, Administrative Services, and Organization and Resource Management.

#### **Office of Corporate Information**

The Office of Corporate Information provides information systems and voice and data telecommunications services; formulates policies and guidance on information management, security, and related areas; and develops the RTC's Information Resources Management (IRM) plans and budget.

The office maintains and operates a corporate-wide information network consisting of over 11,000 work stations, 330 servers, 1,600 printers, and 1,100 lap-top computers. The office completed the RTC Wide Area Network (WAN), which was fully integrated to support all network and mainframe systems for more efficient exchanges of business information. The new RTC WAN enabled the RTC to establish video-teleconferencing capabilities at headquarters and in the field offices.

To minimize risk to sensitive RTC data, the office improved corporate access-control policies for information systems. In addition, virus protection software was distributed throughout the Corporation to protect systems against computer virus contamination.

The office completed the second of three phases of the Corporate Information System, which collects and integrates data from key RTC information systems for inclusion in a corporate-wide database. In addition, the Corporate Data Repository was implemented, which tracks and safeguards critical data within major corporate information systems.

The office supported the field office restructuring by coordinating the efforts of the "closing teams." These teams work with both the closing and receiving field offices in the areas of computer hardware, software, security, telecommunications, and national application systems to ensure timely, efficient field office closings.

#### **Office of Human Resources Management**

The Office of Human Resources Management administers personnel and management advisory services in the areas of staffing, position classification, employee relations, training, personnel management evaluation, and personnel information systems and processing.

The office was created on May 4, 1992, and immediately began assisting in the field reorganization and downsizing effort, including establishing a nationwide outplacement training program. The office helped coordinate the return of 376 permanent employees from the RTC to the FDIC. It also developed and produced the Field Restructuring Handbook, the Managers' Guide to Restructuring, and the Separating Employee's Guide to Benefits; and established a hotline for employees' questions on the reorganization.

The RTC's training programs were coordinated by this office during the year. The office also streamlined the incentive awards process, and implemented a labor-management relations program at headquarters in 1992.

#### **Office of Administrative Services**

The Office of Administrative Services develops and manages the RTC's corporate services, maintains the RTC's facilities, and establishes policies, procedures, and guidelines for a wide variety of both real property management and administrative service functions. The office pro-

vides direct operational support to all RTC headquarters activities and technical assistance to field offices in these areas.

In 1992, the office developed and implemented a housing plan for the Washington headquarters offices that accommodated staff increases and site consolidation (from six to four locations), while allowing operations to continue uninterrupted. The office also relocated approximately 65 percent of the headquarters staff (more than 1,100 employees) over a nine-month period.

The office established in-house graphic design capabilities to provide improved-quality graphic support and to save on design costs. In addition, the office implemented the Records Management Tracking System, providing a consolidated database of all institutional records to track the RTC asset inventory and sales, as well as the completion of investigations and litigation.

**Office of Organization and Resource Management**

The Office of Organization and Resource Management provides organization- and management-analysis services to the Corporation. The office is the focal point for all budget formulation, execution, analysis, and reporting for the Division of Administration and Corporate Relations.

In 1992, the office recommended the restructuring of and developed mission and function statements for offices in the Divisions of Administration and Corporate Relations, Legal

Services, and Asset Management and Sales, as well as the field offices. The office also revised the Corporation's administrative delegations of authority to reflect new organizational structures and policies, and developed new functional and expenditure authorities.

The office developed a "management-by-objectives" process for key initiatives in the division, in which projects and goals are developed and tracked. Policies, procedures, and reporting requirements for the Administrative Initiatives Management System (AIMS), which prioritizes RTC management's program initiatives, were also established during the year.

**Department of Contracts, Oversight, and Evaluation**

The Department of Contracts, Oversight, and Evaluation oversees all RTC contracts through the Offices of Contracts; Contractor Oversight and Surveillance; and Administrative Evaluation.

**Office of Contracts**

The Office of Contracts provides corporate-wide contracting policies, procedures, and direction on the management and disposition of assets acquired from failed thrifts. Additionally, the office directs, manages, and controls the contracting process and activity at the headquarters level and administers existing contracts.

In 1992, the office developed a comprehensive contract policies and procedures manual

and training program for the RTC, standardized many widely used contracting documents, and implemented a Contracting Officer Warrant Program, which established guidelines for contracting officials in approving contracts.

The following chart shows RTC contracting activity nationwide from inception in August 1989 through 1992:

RTC CONTRACTING ACTIVITY		
1989 through 1992		
Year	Number of Awards	Fees Paid to Contractors
1989	216	\$ 2,855,084
1990	10,719	443,670,516
1991	48,830	1,375,497,279
1992	44,301	1,121,200,267
<b>TOTAL</b>	<b>104,066</b>	<b>\$ 2,943,223,146</b>

**Office of Contractor Oversight and Surveillance**

The Office of Contractor Oversight and Surveillance monitors and evaluates the performance of major asset-management and sales contractors; reviews and investigates contractor performance and contracting irregularities; coordinates major RTC contract terminations; initiates suspension and exclusion actions of contractors for violations of fitness and integrity, fraud, and non-performance; and administers the RTC Competition Advocacy Program, designed to ensure that all competitive-bid stan-

dards have been met through a review of all contracts.

In 1992, the office closed over 150 contractor fitness and integrity investigations resulting in 35 suspension and exclusion actions. The office also reviewed the internal control structure and operations of 140 contractors responsible for asset management and disposition activity. Of those reviews, 60 cases were closed and final reports issued. In addition, the office issued a report concluding that the pre-qualification and buyer-eligibility procedures employed during the November 1991 Lone Star Affordable Housing Auctions, held throughout Texas, were ineffective in ensuring that buyers were in compliance with the RTC's Affordable Housing Disposition Program eligibility and residency guidelines.

The office published and distributed to contractor oversight staff in the field a fraud training manual that outlines contractor fitness and integrity requirements, and a guide to the Anti-Kickback Act, which prohibits RTC contractors from taking kickbacks from sub-contractors.

### **Office of Administrative Evaluation**

The Office of Administrative Evaluation develops and administers the Corporation's overall internal controls program, and monitors its compliance with the Chief Financial Officers Act of 1990 and associated policies of the RTC Thrift Depositor Protection Oversight Board. The office also conducts corporate-wide evaluations of the Division

of Administration and Corporate Relations' programs to ensure that the programs are in compliance with statutory and RTC corporate policy, and are meeting their objectives. In addition, the office coordinates the program offices' responses to audits and investigations conducted by the General Accounting Office (GAO) and the RTC Office of Inspector General (OIG).

In 1992, the office coordinated the Corporation's responses to 36 GAO and 105 OIG audits and investigations, and 94 cases resulting from calls to the OIG Hotline, which receives complaints of waste, fraud, and abuse at the agency. The office also completed administrative reviews of 10 field offices, and developed an audit program to review the internal control structure within receiverships. Five receivership audits were completed during the year.

### **Department of Minority and Women's Programs**

The Department of Minority and Women's Programs manages and develops policy for minority- and women-owned business (MWOB) participation in all RTC activities, including contracting, investment, and securitization programs; and equal employment opportunity activities. The department is comprised of the Offices of Minority- and Women-Owned Business; Policy, Evaluation, and Field Management; Equal Employment Opportunity and Affirmative Action; and Legal Programs.

### **Office of Minority- and Women-Owned Business**

The Office of Minority- and Women-Owned Business ensures that firms owned and operated by minorities and women have the maximum opportunity to participate in all contracting activities of the Corporation, as well as at conservatorships and receiverships.

In 1992, the office developed, published, and implemented RTC policies and procedures for the MWOB contracting program. This included establishing an annual goal of 30 percent MWOB participation in all RTC contracts, applying bonus points to MWOB contract proposals, and creating joint-venture and subcontracting policies and guidelines for MWOBs.

### **Office of Policy, Evaluation, and Field Management**

The Office of Policy, Evaluation, and Field Management develops nationwide program standards, policies, and procedures for the RTC's minority and women's programs to ensure that they are in compliance with FIRREA; the RTC Funding Act of 1991; and the RTC Refinancing, Restructuring, and Improvement Act of 1991.

In 1992, the office developed standards and criteria for the oversight and review of minority and women's programs in the field to determine the programs' effectiveness, and completed Program Compliance Reviews in four field offices (Kansas City, Valley Forge,



Dallas, and Atlanta) to determine the programs' adherence to policies and requirements.

The office produced monthly Contracting Activity and Performance Reports for the RTC President and CEO in 1992. The office also produced quarterly Field Office Contracting Activity and Performance Analyses of all contract awards and fees for each ethnic minority and non-minority group by gender in each RTC office, receivership, and conservatorship.

During 1992, the office prepared 12 reports and/or Congressional testimonies on the RTC's efforts in minority and women's programs. The staff also assisted in developing presentations for the RTC President and CEO and the department's Assistant Vice President, who participated in several workshops held in conjunction with the Congressional Black Caucus Foundation Legislative Weekend in Washington, D.C., in September 1992.

The office also improved the department's advertising efforts by targeting specific women and ethnic minority markets, and strengthening coordination between the field offices. In addition, the staff developed and implemented a management program for the department's field personnel on new minority and women outreach and contracting policies.

### **Office of Equal Employment Opportunity and Affirmative Action**

The Office of Equal Employment Opportunity and Affirmative Action provides leadership and guidance to the Corporation in all areas of the equal employment opportunity program.

In 1992, the office developed a new affirmative action plan for managers based on the field restructuring and downsizing, and monitored the return of RTC employees to the FDIC to ensure EEO guidelines were being followed.

The office sponsored programs for the observance of Asian, Hispanic, and Disability Awareness Months. It also initiated the RTC's first Summer Employment Program for People with Disabilities, which included hiring six disabled students from universities across the country to work in various RTC offices.

The office coordinated with the Office of Corporate Information and the Office of Administrative Services to acquire a variety of adaptive equipment for the disabled. Telephone amplifiers, telecommunication devices for the deaf, orthopedic chairs, air purification systems, and vision aids were among the adaptive equipment requested and procured for disabled RTC employees.

### **Office of Legal Programs**

The Office of Legal Programs establishes and oversees policies, procedures, and programs designed to ensure the inclusion

of minority- and women-owned law firms (MWOLFs) and minority and women attorneys in non-MWOLFs in legal contracting with the RTC.

In 1992, the office developed and issued a policy statement concerning the requirements of the RTC's minority and women's programs, including the Minority and Women Partners Program, which encourages majority-owned firms to promote minorities and women as partners. It also established Minority and Women Outreach Coordinators to provide support to regional and field outreach efforts.

The office and the National Minority and Women Bar Associations co-sponsored a national symposium for MWOLFs in Dallas, Texas, in January 1992. In addition, the office created *Reaching Out*, a quarterly newsletter distributed to Congress and RTC legal staff to promote minority and women outreach activities nationwide. The office also established a joint venture task force to ensure uniform implementation of the joint venture program and to encourage and monitor joint venture referrals.

The staff developed the Joint Venture Tracking System, and compiled a national directory of MWOLFs that are on the RTC's List of Counsel. The *MWOLF Directory* contains information about each RTC-registered MWOLF. The information includes firm expertise, size, contacts, as well as other pertinent data.

*Four offices in the Division of Administration and Corporate Relations report directly to the division vice president: the Offices of the Secretary, Ethics, Governmental Relations, and Corporate Communications.*

### **Office of the Secretary**

The Office of the Secretary manages the decision-making process for the RTC's senior executives, including record-keeping and information-dissemination. In addition, the office administers three nationwide programs that provide the public with complaint-resolution services and access to RTC information.

In 1992, the office processed more than 850 decisions approved by the RTC President and CEO, the Executive Committee, the senior vice presidents and headquarters vice presidents, and the newly established Information Resources Management Steering Committee, which screens all software and hardware proposals presented to the Executive Committee.

The office responded to more than 1,200 requests for information about actions taken by the former RTC Board of Directors, the President and CEO, and other senior officials. The office also processed 1,600 litigation filings.

The office handled nearly 2,000 complaints through the RTC Client Responsiveness Program, created in June 1992, which established corporate-wide responsiveness standards.

Processing techniques in the Public Reading Room in Washington, D.C., and in Regional Public Service Centers

were streamlined by the office, enabling it to handle a record 225,000 requests for documents. During the year, public reading room and FOIA programs in the Valley Forge, Pennsylvania, and Costa Mesa, California, field offices were established. The office also developed and published a FOIA procedures manual, and issued regulations regarding FOIA and the Privacy Act. In 1992, the office processed 1,795 FOIA requests.

### **Office of Ethics**

The Office of Ethics administers regulations governing the fitness and integrity of independent contractors that do business with the RTC, and suspends and excludes contractors that violate these regulations. The office also administers the RTC's compliance with employee ethics and standards of conduct laws, regulations, and related directives and executive orders; and grants or denies waivers for conflicts of interest under RTC contracts.

In 1992, the office utilized national data communications systems, such as the Contractor Conflicts Database and the Document Management System, to track contractor ethics compliance. The office also established a national network of field ethics officers and staff in each RTC field office and established an RTC employee ethics program in the spring of 1992.

### **Office of Governmental Relations**

The Office of Governmental Relations serves as the RTC's

liaison with Congressional officials. It maintains communications with House and Senate members and their staffs, and supplies them with information about RTC policy concerns. The office also responds to member inquiries on behalf of constituents.

In 1992, the office worked with, but failed to convince, Congress to extend the April 1, 1992, deadline for the RTC to spend its authorized funds, or to authorize the RTC's funding request of \$25 billion. The office also worked with Congress for the defeat of various amendments opposed by the RTC, including a provision treating receiverships and conservatorships as federal government agencies for environmental purposes.

In 1992, the office participated in over 450 meetings with members of Congress or their staffs, and responded to over 10,000 telephone and written inquiries from Congressional offices concerning RTC operations. From inception through 1992, the office coordinated 57 appearances by RTC officials at Congressional hearings, including 16 in 1992.

### **Office of Corporate Communications**

The Office of Corporate Communications is the gateway to information for news organizations and the public about RTC activities. The office fields numerous daily telephone inquiries from the press and the public throughout the country and abroad.

The office advises and assists the President and CEO and

other senior RTC executives in developing and executing the RTC's public affairs programs. In addition, the office briefs RTC managers prior to media interviews and provides managers with material and policy interpretations in advance of speaking engagements.

The office headquarters staff issues all national and field press

releases (nearly 300 in 1992); writes and edits opinion editorials, letters to the editor, and speeches for the President and CEO and other key RTC officials, as well as copy for various publications; and produces publications such as the RTC's Annual Report. In 1992, the office began production of *Resolution Trust News*, a

monthly employee newsletter.

The office keeps RTC employees informed of media coverage of the agency's activities through a daily summary of emerging news stories, a daily clipsheet of articles, and a weekly wrap-up of news stories. The office also distributes throughout the Corporation a weekly scorecard of the RTC's activities.



# **INSTITUTION OPERATIONS AND SALES**

**T**he Division of Institution Operations and Sales oversees the management and operation of insolvent thrifts while they are in the RTC's conservatorship program, and the negotiation and execution of the most cost-effective resolutions of these thrifts as well as those in the Accelerated Resolutions Program (ARP). At the beginning of 1992, the RTC was managing 91 conservatorships. During the year, 50 more thrifts entered the program. A total of 69 thrifts were resolved in 1992: 60 conservatorships plus nine thrifts resolved through ARP, which bypassed a conservatorship action. Resolution activity came to a virtual standstill after April 1, 1992, because Congress declined to act on RTC funding.

The division investigates fraud and other abuses at failed thrifts. In addition, the division develops and operates the Corporation's funding programs and capital markets activities, and coordinates the operations of the Corporation's financial departments. It also provides research and analytical support of RTC activities to ensure the RTC's effective operation.

The division consists of the Departments of FSLIC Resolution Fund Restructuring, Corporate Finance, Operations, Resolutions, and Planning and Analysis.

## Department of FSLIC Resolution Fund Restructuring

**T**he Department of FSLIC Resolution Fund Restructuring renegotiates and restructures the 96 1988-89 FSLIC assistance agreements entered into by the former Federal Savings and Loan Insurance Corporation (FSLIC) with 91 acquirers to facilitate the acquisition of over 200 failed or failing thrifts between January 1, 1988, and August 9, 1989. All funds expended by the department to amend the assistance agreements in order to reduce the associated costs, which Congress mandated, are drawn from the FSLIC Resolution Fund (FRF), a separate appropriated fund managed by the FDIC. Management of this fund reverted to the FDIC in October 1992.

During 1992, the RTC renegotiated and amended 18 FSLIC assistance agreements and exercised its cost-savings options in 19 other agreements. In the aggregate, the renegotiations and the exercise of cost-savings options resulted in cash outlays from the FRF of \$8.9 billion to privately owned thrifts. The RTC estimates that the cash outlays will save taxpayers, in present value terms, between \$450 million and \$1.3 billion. Minimum savings were calculated without regard to tax-sharing provisions; the maximum savings incorporate the tax-sharing provisions assuming the assisted institutions will fully utilize such benefits.

During 1992, an additional \$2.4 billion from the FRF was expended to settle the FRF's assistance obligations to FSLIC-assisted thrifts that subsequently failed and were placed under RTC conservatorship or receivership.

From RTC inception on August 9, 1989, through December 31, 1992, more than \$20.8 billion was expended by the FRF to modify, renegotiate, or restructure these agreements. The RTC estimates that the cost savings from these actions—in present value terms—will range from \$1.3 billion to \$3 billion.

## Department of Corporate Finance

**T**he Department of Corporate Finance maintains all accounting records for the RTC. The department consists of the Offices of Accounting Services, and Field Accounting and Asset Operations.

### Office of Accounting Services

The Office of Accounting Services performs the corporate accounting function for the RTC. The office produces and maintains the RTC corporate accounting records and systems, the corporate funding/cash management operations, and the official corporate financial statements and reports that reflect the financial performance of the RTC in its corporate, conservatorship, and receivership capacities.

In 1992, the office implemented the RTC Financial Management System (FMS). The FMS integrates the General

Ledger System, which is the official accounting system of the RTC, and numerous other sub-systems into a comprehensive financial management system. The FMS has enhanced data integrity and strengthened RTC reporting abilities to management, government entities, and other interested parties.

The office expanded its management reporting role in the areas of loan securitizations, receivership terminations, and corporate purchases. New quarterly reports for Congress, required by the 1991 funding legislation, provided information on asset sales activity, working capital needs, auction sales, and RTC seller financing.

The office also initiated the development of the RTC Accounts Payable System (APS) to enable the office to assume all corporate processing responsibilities, including all corporate disbursements by check or wire transfer.

In 1992, the office renegotiated the RTC's annual Federal Financing Bank (FFB) lending agreement, and oversaw the net paydown of FFB borrowings by \$19.8 billion in principal and \$2.1 billion in interest. The RTC borrows funds from the FFB, which provides loans to federal agencies for working capital purposes.

### Office of Field Accounting and Asset Operations

The Office of Field Accounting and Asset Operations directs and manages all asset and field accounting operations for RTC asset sales, management, and disposition activities. As such, the office acts as a liaison between the field offices and headquarters' corporate finance and asset management departments. The office develops procedures for the RTC's financial service centers to ensure their compliance with RTC procedures relating to asset and accounting functions, and the integrity of accounting and financial information for receiverships.

## 1992 RTC CONSERVATORSHIP & RESOLUTION ACTIVITY



\*These figures include 9 associations never placed into conservatorship.

The following chart shows the number of thrifts placed in the RTC conservatorship program and the number of resolutions:

**CONSERVATORSHIP INSTITUTIONS 1989-1992**

	Conservatorships Established	Conservatorships Resolved	Total Resolutions
Pre-FIRREA	262		
Post-FIRREA 1989 (8/9-12/31)	56	37	37
1990	207	309	315*
1991	123	211	232**
1992	50	60	69***
<b>Total 1989-92</b>	<b>698</b>	<b>617</b>	<b>653</b>

\*Includes six non-conservatorship institutions resolved, four of which were resolved through the Accelerated Resolutions Program.

\*\*Includes 21 institutions resolved through the Accelerated Resolutions Program.

\*\*\*Includes nine institutions resolved through the Accelerated Resolutions Program.

The office also directs a nationwide cash-management program for receiverships, monitors a national internal financial controls program, and develops accounting policies. In 1992, the number of receiverships increased by 69 to 653, resulting in \$29 billion (net of putbacks) in new receivership assets retained by the Corporation.

During 1992, over \$39 billion in cash receipts were processed by the office from asset sales. By yearend, the RTC managed approximately \$63 billion in liquidation assets. The office also assisted in processing more than \$20 billion in mortgage-backed securities transactions, over \$1.5 billion in seller-financed sales, approximately \$7 billion in structured transactions, and approximately \$210 million in corporate purchase transactions.

The office implemented a comprehensive cash-manage-

ment system providing all field offices with depository and other banking services, developed a formal investment program designed to enhance yields on receivership cash balances held prior to the payment of dividends, conducted tax benefit reviews of FSLIC assistance agreements, and provided tax assistance for the renegotiation of the 1988 FSLIC transactions.

**Department of Operations**

The Department of Operations manages and oversees conservatorship and receivership operations, the payment of insured deposits, the administration of resolution agreements and the representations (reps) and warranties provisions of asset sales agreements, the processing of creditor claims, and the termination of receiverships. In addition, the department investigates fraud and other abuses at conservatorships and receiverships, and develops customized computer resources to aid in program activities. The department is composed of the Offices of Operations, Investigations, and Systems Development.

**Office of Operations**

The Office of Operations develops policies and procedures for the conservatorship program that ensure compliance with applicable laws and the RTC's goal of minimizing the costs and risks to the general public. The office provides day-to-day guidance to individual conservatorships in implementing these

policies and procedures.

The office monitors the performance of conservatorships, supports field efforts related to the closing of insolvent institutions and subsequent payment of creditor and insurance claims, monitors settlement activities, reviews and reconciles sales agreements, analyzes and pays claims resulting from asset sales, manages the termination of receiverships, and issues reports on program activities.

**Institutions and Assets in Conservatorship**

From the RTC's inception in August 1989 to yearend 1992, the RTC managed a total of 698 institutions in the conservatorship program. When the RTC was established, the office immediately assumed responsibility for 262 conservatorships from the FDIC. From inception through December 31, 1992, 617 conservatorships were resolved, leaving 81 in the program at yearend.

At the beginning of 1992, the RTC was managing 91 conservatorships. During the year, 50 additional thrifts entered the program, and 60 conservatorships were resolved. Nine other institutions were resolved through the Accelerated Resolutions Program (ARP), bypassing a conservatorship action.

The RTC prepares a conservatorship for resolution by downsizing the institution primarily through asset sales. This accelerates the payment of liabilities of the failed institution and reduces dependency on the Treasury Department to fund future operations. Gross conservatorship assets in January 1992



## 1992 RTC CONSERVATORSHIP AND RESOLUTION ACTIVITY

(dollars in millions)

State	Conservatorships						Balance	
	Beginning	Deposits*	Added	Deposits*	Resolved	Deposits*	Ending	Deposits*
Alabama	2	\$ 1,607	2	\$ 161	1	\$ 485	3	\$ 1,283
Arizona	1	129	0	0	1	129	0	0
Arkansas	1	135	0	0	1	135	0	0
California	10	12,978	5	10,287	5	4,775	10	18,490
Connecticut	3	323	1	223	3	323	1	223
Florida	10	6,638	4	345	4	3,685	10	3,299
Georgia	5	376	2	247	4	294	3	330
Illinois	3	731	3	695	4	993	2	432
Indiana	1	10	0	0	1	10	0	0
Iowa	3	862	0	0	2	150	1	712
Kansas	1	4,657	1	95	0	0	2	4,751
Louisiana	2	2,514	1	32	0	0	3	2,546
Maine	0	0	1	76	0	0	1	76
Maryland	3	814	4	2,123	2	157	5	2,780
Massachusetts	1	138	1	118	0	0	2	255
Michigan	2	581	0	0	1	34	1	547
Mississippi	0	0	1	247	0	0	1	247
Missouri	2	2,615	0	0	2	2,615	0	0
New Hampshire	1	192	0	0	0	0	1	192
New Jersey	6	1,267	5	4,308	3	620	8	4,955
New Mexico	1	193	0	0	1	193	0	0
New York	3	1,376	1	1,073	3	1,376	1	1,073
North Carolina	2	586	1	639	1	424	2	802
Ohio	1	18	2	2,419	1	18	2	2,419
Oklahoma	4	1,386	0	0	3	676	1	710
Oregon	1	1,273	0	0	0	0	1	1,273
Pennsylvania	5	1,200	4	838	2	812	7	1,226
Rhode Island	1	62	0	0	1	62	0	0
South Carolina	1	278	3	287	0	0	4	564
Tennessee	1	807	1	124	1	807	1	124
Texas	7	5,363	0	0	7	5,363	0	0
Utah	1	10	0	0	1	10	0	0
Virginia	4	2,491	6	852	4	2,491	6	852
West Virginia	1	35	1	68	0	0	2	103
Wisconsin	1	136	0	0	1	136	0	0
<b>Total (35)</b>	<b>91</b>	<b>\$51,780</b>	<b>50</b>	<b>\$25,257</b>	<b>60**</b>	<b>\$26,771</b>	<b>81</b>	<b>\$50,266</b>

\* Deposits at quarter prior to date of conservatorship.

\*\* Does not include 9 thrifts resolved in 1992 through the Accelerated Resolutions Program.

Note: Detail may not add to totals due to rounding.

The following chart details asset sales, collections, and other conservatorship activities during 1992:

**1992 CONSERVATORSHIP ASSET SALES AND OTHER ACTIVITIES**

(dollars in millions)

	1/1/92 Balance	New Institutions	Activities *			Resolutions	12/31/92 Balance
	91 Institutions	50 Institutions	Sales	Collections	Adjustments **	60 Institutions	81 Institutions
Cash and Securities	\$12,166	\$ 7,963	\$ 8,263	\$ 6,112	\$12,345	\$ 4,018	\$14,081
1-4 Family Mortgages	10,949	12,641	7,164	2,836	116	4,489	9,217
Other Mortgages	12,505	7,297	4,019	1,459	(118)	6,512	7,694
Other Loans	2,874	2,198	982	962	122	1,188	2,062
Owned Assets	5,128	2,503	1,302	0	(243)	3,115	2,971
Other Assets	3,709	2,875	790	745	969	1,841	4,177
<b>Totals</b>	<b>\$47,331</b>	<b>\$35,477</b>	<b>\$22,520</b>	<b>\$12,114</b>	<b>\$13,191</b>	<b>\$21,163</b>	<b>\$40,202</b>

\* Includes activities from all institutions in conservatorship at any time during December 1992.

\*\*Includes new asset purchases, valuation revisions, and other transactions affecting value.

Note: "Securities" include investment-grade securities and mortgage-pool securities. "Other loans" include commercial, consumer, and student loans. "Owned assets" consist of repossessed residential and non-residential real estate, land, and other repossessed assets. "Other assets" include a wide array of assets, some types of mortgage servicing rights, office equipment, and subsidiary companies of controlled institutions.

The following chart summarizes RTC advance activity during 1992:

**1992 RTC CONSERVATORSHIP & RECEIVERSHIP ADVANCE ACTIVITY**

Principal Amount Only  
(dollars in billions)

Advances Outstanding at 12/31/91	\$18.3
Total Advances Made In 1992	11.7
Total Advances Paid In 1992	-16.8*
<b>Advances Outstanding at 12/31/92</b>	<b>\$13.2**</b>

\* Advances Paid balance includes \$3.6 billion in non-cash payments, but does not include \$804 million in interest collections during 1992.

\*\* Advances are generally made to conservatorships. The Advances Outstanding balance at 12/31/92 includes \$6.4 billion in advances to conservatorships which have been resolved and will be repaid by the receiverships.

totalled \$47.3 billion; they were reduced to an estimated \$40.2 billion by yearend. During the year, 50 institutions with assets of approximately \$35.5 billion were added to the conservatorship program; 60 conservatorships were resolved, removing \$21.2 billion in assets from the program. Book value sales and collections during 1992 totalled \$34.6 billion.

**Conservatorship Operations Activities**

**Liability Management**—As a conservatorship is prepared for resolution, the overall liability expenses are reduced by eliminating wholesale (high-cost) deposits, Federal Home Loan Bank advances, and short-term collateralized borrowings. Funding is raised for this purpose through asset sales supplemented with borrowings from the RTC, as necessary. From August 9, 1989, through December 31, 1992, the RTC advanced a total of \$56 billion to conservatorships for working capital purposes.

**Claims and Settlement Activities**

**Insurance Payments**—During 1992, more than 3.1 million insured deposit accounts at insolvent thrifts were protected. More than 1.4 million of these

deposit accounts were protected through the purchase and assumption of failing thrifts by other institutions; the remaining 1.7 million deposit accounts were paid off by RTC check in a payoff (PO) transaction or transferred to other financial institutions through insured deposit transfers (IDTs). Of the \$6.86 billion in deposits that were involved in IDTs or POs, only \$16.5 million, or less than one percent, were uninsured.

**Liquidating Dividends**—To expedite the return of funds to the Corporation and to creditors, the Accelerated Dividend Program was implemented in October 1992, authorizing field office vice presidents to approve dividend cases. In 1992, cash dividends to the Corporation and to creditors totaled \$28.8 billion and non-cash dividends totaled \$21.6 billion, an increase of 25 percent

over 1991 in dividend returns to the Corporation. From inception of the dividend process in September 1990 through yearend 1992, 1,144 dividend cases were paid for a total recovery to the Corporation of \$47.8 billion in cash and \$43.6 billion in non-cash dividends.

**Creditor Claims**—Essential goods or services provided to the RTC's managing agents for conservatorships are paid as administrative expenses. General trade creditor claims of former associations, however, are considered to be unsecured claims. Pass-through receivership data from RTC inception in August 1989 through yearend 1992 show that \$408 million in claims from 5,159 creditors were allowed, \$3 billion in claims from 4,584 creditors were disallowed, and \$5 billion in claims from 2,255 creditors were still pending at yearend. In liquidating receiverships, \$73 million in non-RTC unsecured creditor claims were allowed while \$1.5 billion in claims of 5,767 creditors were disallowed; \$13 billion from 4,029 creditors were still pending at yearend.

**Repurchase of Assets**—During 1992, only \$6.3 billion in assets were transferred to acquirers through the resolution process, due to the lack of significant resolution activity in the second half of the year. Of that total, approximately \$2.5 billion in assets were transferred subject to short-term putback options. A putback option gives an acquirer the right to require the RTC to repurchase the assets if the acquirer exercises

the option by its expiration date. At the beginning of 1992, assets sold at resolution that had unexpired repurchase options totaled \$864 million (down from an all-time high of \$12 billion in 1991). These assets, combined with assets transferred in 1992 subject to putback options, brought the total amount of assets with repurchase options in 1992 to almost \$3.4 billion. Of this amount, nearly \$1.9 billion in assets were repurchased by the RTC. By yearend, all remaining repurchase options had expired, leaving the RTC with no obligation to repurchase assets subject to putback.

**Settlements**—The RTC took advantage of the slower resolution activity to focus on receivership settlement activity with acquirers under resolution agreements. During 1992, settlement activity was concluded on 170 receiverships, leaving 46 settlements to be completed at yearend. In addition, the office issued the *RTC Settlement Manual*, establishing comprehensive policies and procedures for the administration of resolution agreements between the RTC and acquirers; enhanced the Settlement Status Tracking System, which tracks the status of the RTC's settlements with acquirers under resolution agreements; and conducted annual field office Program Compliance Reviews to assess adherence with established settlement policies and procedures of the office. In 1992, 12 field office reviews were conducted in the claims, closing, and settlement areas.

### **Asset Claims**

In 1992, reps and warranties provisions were extended to the RTC's structured transactions (sales of large mixed pools of non-performing or sub-performing loans and real estate assets, packaged either by collateral type or investor requirements) and auctions following the use of these provisions to significantly enhance recoveries from loan sales, securitizations, and servicing rights sales in 1991. At yearend, 3.4 million loans valued at approximately \$182 billion with reps and warranties were being administered by the office. From inception through yearend 1992, the RTC received a total of 9,344 claims under reps and warranties provisions of asset sales agreements, involving 92,000 loans with balances totaling \$610 million. At yearend, the RTC had paid \$304 million on these claims.

The office also manages the establishment and maintenance of reserves by sellers (conservatorships, receiverships, or wholly owned subsidiaries) to cover the cost of reps and warranties claims. Reserves are established and monitored to minimize any contingent liability that may accrue to the seller or to the RTC in its corporate capacity. At yearend 1992, the cash reserve balance for all asset sales totaled \$1.01 billion.

### **Terminations of Receiverships**

In early 1992, the RTC began terminating receiverships that were at least one year old and had no legal or other compelling reasons for remaining open. Receivership assets that remained

The following chart shows RTC detection of criminal activity by savings and loan directors, officers, and other professionals, and legal action undertaken by the Department of Justice, as of December 31, 1992. Thrifts referred to are now under RTC supervision.

**RESTITUTION AND CRIMINAL ACTIVITY**

(from inception in August 1989 through 1992)

Thrifts with suspected criminal conduct	531
Cases where fraud and abuse contributed to failure	257
Number of defendants charged	1,093
Number of convictions	888
Number sentenced	780
Number awaiting sentencing	108
Total prison time sentenced*	843 years, 4 months
Number of restitution orders	500
Total restitution ordered**	\$126,901,968
Total restitution paid***	\$10,272,042

\* Based on information provided by the Department of Justice and does not include state and local cases.

\*\* This figure includes orders both initiated and inherited by the RTC. Some orders may include multiple payees. These statistics reflect only the RTC portion of such orders.

\*\*\* This figure is a cumulative statistic, reflecting all known RTC collections.

Note: Unless otherwise indicated, statistics given include federal, state, and local prosecutions.

to be liquidated were purchased by the RTC in its corporate capacity, with proceeds used by the receivership for payment of priority claims, establishment of reserves for liabilities assumed by the Corporation, and distribution of final dividends to creditors according to established priority. In 1992, the RTC terminated 34 receiverships, which was accomplished through the RTC's repurchase of the remaining receivership assets and its payment of final dividends to creditors of the former institutions. Timely termination of receiverships reduces costs by eliminating unnecessary operat-

ing expenses and allows final loss determinations to be made. Such determinations will help the RTC better project its future funding needs.

**Office of Investigations**

The RTC Office of Investigations examines the causes of thrift failures and helps to recover funds lost through fraud and other abuses by thrift officials.

In 1992, the RTC received \$283 million in cash from director, officer, and other professional liability claims. From inception in August 1989 through yearend 1992, the RTC collected approximately \$328 million in professional liability claims, \$156.7 million of which was from litigation involving Drexel Burnham Lambert. In addition, \$10.2 million of criminal restitution was collected, bringing total cash recoveries to approximately \$338 million.

**Interagency Coordination**

The Department of Justice is responsible for prosecuting criminal conduct committed by insiders and parties associated with RTC-supervised thrifts. RTC investigators and attorneys work closely with the Federal Bureau of Investigation (FBI), U.S. Attorneys' offices, the Internal Revenue Service (IRS), the Securities and Exchange Commission (SEC), the Office of Thrift Supervision (OTS), and the Secret Service to provide the necessary documents, work papers, and, in some cases, expert testimony needed to prosecute individuals suspected of criminal conduct in

failed thrifts. The RTC allocates substantial investigative resources to assist the Justice Department in pursuing criminal cases.

**Office of Systems Development**

The Office of Systems Development provides the RTC with national information systems that support RTC operations and management-information needs. To ensure that these application systems are implemented effectively, the office works closely with the Office of Corporate Information, which is responsible for technical hardware and software acquisition, database management and administration, and operational management. The office has two branches: Software Management and Business Applications Analysis.

The Software Management Branch plans, develops, implements, and maintains major RTC information systems, and provides user training, documentation, and other required support for them. In 1992, the branch provided support in the asset, resolution, finance, and administration areas using the information systems listed below.

In 1992, the Business Applications Analysis Branch was established to resolve issues involving the RTC's most visible and mission-critical systems, particularly the Real Estate Owned Management System and the Asset Manager System, whose users cross organizational lines and have differing and often conflicting needs and perspectives.

## Major Systems Reassessment

In 1992, the office reassessed several major RTC information systems in an effort to reduce costs and produce better quality systems. The reassessments established firm implementation dates for the development of new systems as well as enhancements for existing systems. In addition, the office established the requirement that cost/benefit analyses must be conducted prior to authorization for systems development or enhancement.

The Information Resource Management Steering Committee, whose membership consists of Corporation vice presidents, was created in late 1992 to direct the allocation of resources for the RTC's information systems. The RTC's Executive Committee approves more substantial expenditures and strategic plans that have a corporate-wide impact.

In 1992, the office actively developed or enhanced the RTC's corporate information systems. They include the following:

### Financial Systems

■ **Financial Management System-General Ledger (FMS-GL)** The FMS-GL system was implemented in September 1992. This system allows the RTC to capture and report RTC-specific financial information and to respond to the RTC's changing financial requirements. It is also designed to work in concert with the new Control Totals Module.

■ **Control Totals Module (CTM)** CTM processes finan-

cial information provided by the RTC's loan servicers, interfaces with the RTC's General Ledger, and supports financial reconciliation requirements for receiver-ship assets. In 1992, CTM was implemented at all RTC sites. Enhancements to CTM were also made to support the corporate-purchase and split-banking (the transfer of the management of an asset from one location to another) strategies for completing the resolution of institutions.

■ **Asset Manager System (AMS)** AMS is a cash-management system that tracks receipts and disbursements for Asset Management and Disposition Agreement (AMDA) contractors. Automating the transfer of funds between the RTC and AMDA contractors through AMS was initiated in September 1992.

■ **Automated Grouping System/Automated Payoff System (AGS/APS)** AGS/APS is used to support the closing of failed institutions by computing insurance determinations and indicating the level of uninsured funds. The system was enhanced to support resolutions requiring that the deposit base be split among multiple acquirers.

### Asset Systems

■ **Real Estate Owned Management System (REOMS)** REOMS is the corporate-wide repository for information on the RTC's real estate assets. Major enhancements were implemented in 1992, such as increased reporting capabilities for the Affordable Housing Disposition Program and the

ability to set up and track sales initiatives. Increased flexibility in selecting and scheduling locally produced standard reports was also provided during the year. The system's response time was improved by almost 50 percent from 1991.

■ **Subsidiary Information Management Network System (SIMAN)** SIMAN was developed in 1992 for the Office of Subsidiary Management to enable the staff to track financial, management, and sales data for RTC-controlled subsidiary companies.

■ **Warranties and Representations Accounts Processing System (WRAPS)** WRAPS is used to track contractual obligations between the RTC and the purchasers of RTC assets, reserve account balances required to fulfill potential obligations, and associated claims activities. An automated interface between WRAPS and the Mortgage Guarantee Insurance Corporation, which administers these claims activities for the RTC, was created to streamline management and administrative tasks for the WRAPS users.

■ **National Loan Exception Tracking System (NLETS)** NLETS was implemented in November 1992 for the Office of Securities Transactions. NLETS is a personal computer-based application used to track and reconcile discrepancies between scheduled and servicer information for RTC securitized loans. Reconciling these loan

exceptions helps ensure a viable secondary market for RTC mortgage-backed securities.

### **Investigative and Legal Systems**

■ **RTC Legal Information System (RLIS)** An enhanced version of RLIS was implemented nationwide to provide automated assistance to the Division of Legal Services to track matters referred to outside law firms, create and maintain budgets at the case level, and process thousands of invoices received monthly.

■ **Asset Tracing and Reporting System (ATAR)** ATAR was developed to facilitate investigations of the personal assets of individuals whose suspected criminal activities contributed to the collapse of savings and loan institutions.

■ **Thrift Investigation Management System (TIMS)** TIMS provides the Office of Investigations data relating to investigations of individuals and organizations suspected of fraud and/or civil or criminal violations in managing deposit accounts at failed thrifts. The system is also used to monitor the status of legal claims, potential litigation, ongoing cases, and financial recoveries.

■ **Financial Institutions Regulatory Criminal Enforcement System (FIRACRES)** FIRACRES is a criminal referral database system consisting of shared data from the RTC and five other federal financial regulatory agencies. This data is accessed through the

Financial Crimes Enforcement Network.

### **Internal Reference System**

■ **Document Management System (DMS)** DMS is an on-line text retrieval system that enables RTC users across the country to view directives, policy manuals, and other important references rapidly. In 1992, the system was enhanced to provide graphics capability and improved text-search features.

## **Department of Resolutions**

The Department of Resolutions markets and executes the most cost-effective resolutions for insolvent thrifts placed in the RTC's conservatorship program by the OTS. The department is composed of the Offices of Major Resolutions and Field Resolutions.

The lack of Congressional funding after April 1, 1992, significantly limited resolution activity. Sixty-nine thrifts were resolved in 1992, compared to 232 in 1991, and 315 in 1990. Of the \$25 billion in loss funds allocated in the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991, \$6.7 billion was utilized before the April 1 deadline.

The December 1991 appropriation was used in 64 of the 69 resolutions in 1992. Four resolutions were "no-cost" transactions in which the acquirers assumed all of the liabilities and purchased virtually all of the assets for total premiums of \$11.1 million, exceeding all losses

in the institutions. The last resolution in 1992, the July sale of the deposit franchise of Investors Federal Savings Bank, Richmond, Virginia, to Central Fidelity Bank, Richmond, utilized resolution funds that had been appropriated prior to the December 1991 legislation.

In 1992, insured deposits accounted for 99.6 percent of all deposits at institutions. The total cost of the 69 resolutions was estimated at \$7.2 billion. (The cost is estimated until all assets associated with the institutions are sold.) This total is \$660 million less than the projected cost taxpayers would have borne if a liquidation or payoff of insured deposits had been required in all cases. The gross RTC funding for these 69 institutions was \$24.4 billion, including conservatorship advances of \$2.5 billion, for a net RTC funding cost of \$21.9 billion.

### **Office of Major Resolutions**

The Office of Major Resolutions managed the disposition of larger conservatorships, generally those with over \$500 million in total liabilities (as of the date of conservatorship). During 1992, the office completed 16 resolutions (compared to 45 in 1991 and 39 in 1990) involving \$17 billion in deposits (compared to \$56 billion in 1991 and \$60 billion in 1990). The \$308 million in premiums paid to the RTC in these resolutions represented about 2.6 percent of the \$12 billion of resolved core deposits (deposit accounts with balances of \$80,000 or less). Eight of the major resolutions involved mul-

multiple purchasers, with 68 financial institutions acquiring one or more branches (or the deposits thereof). None of the thrifts was resolved as a total payoff; however, four of the resolutions involved paying off deposits in one or more individual branches for a total of \$1.2 billion.

### Size of Resolved Conservatorships

The largest conservatorship resolution of 1992 was Sunbelt Federal Savings, FSB, Irving, Texas, with \$3.4 billion in deposits and 112 offices. In August 1988, the institution was created through the "Southwest Plan" merger, which combined the previously existing \$2.2 billion Sunbelt Savings Association of Texas, Dallas; the \$1 billion Western Federal Savings and Loan Association, Dallas; and six other ailing institutions to form a "super-thrift" with combined assets of nearly \$5 billion and a cross-Texas franchise. The thrift, which had grown to over \$6 billion in assets during two-and-one-half years, was declared insolvent and placed in RTC conservatorship in April 1991. It was resolved by the RTC in April 1992. Acquiring all deposits and a small amount of the thrift's assets was Bank of America Texas, N.A., Houston, with a \$103 million premium, or 4.2 percent of core deposits.

The second largest conservatorship resolution was Home Federal Savings Association of Kansas City (Home Federal), Kansas City, Missouri, with \$2.2 billion in deposits. Home Federal was the most complex resolution of the year, ultimately

involving the payoff of \$900 million of deposits in one Arkansas office, three Kansas offices, and 11 Missouri offices. The remaining 51 offices and \$1.3 billion in deposits were sold to 33 financial institutions located in 29 mid-western towns and cities. The franchise premiums paid to the RTC by the acquirers totaled \$11.9 million.

The third largest conservatorship resolution was AmeriFirst Federal Savings Bank, Miami, Florida, whose \$2.0 billion in deposits and 54 offices were acquired by Great Western Bank, a Federal Savings Bank (Great Western), Beverly Hills, California. The franchise premium paid to the RTC by Great Western totaled \$27.5 million or 1.7 percent of core deposits.

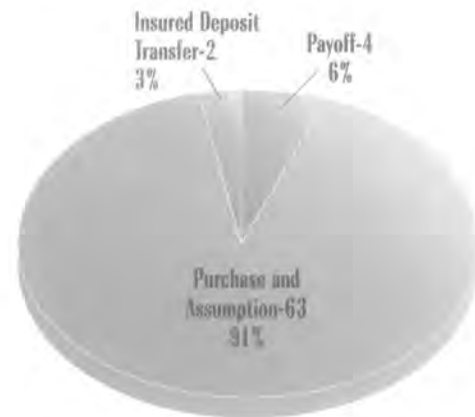
Far West Savings and Loan Association, EA (Far West), Newport Beach, California, with \$2.0 billion in total deposits, was the fourth largest conservatorship resolution. Only 46 percent of the deposits were core deposits, garnering a premium of \$3.8 million or .4 percent of the core deposits. Three of the institution's offices, with a total of \$120 million in deposits, were paid off by the RTC. Of the three acquirers of Far West deposits, American Savings Bank, F.A., Stockton, California, assumed the largest amount of deposits, \$1.02 billion in deposits in 20 offices.

### Cooperative Institution Marketing Program

In 1992, the department implemented the Cooperative Institution Marketing (CIM) program. Under the program, a

### 1992 RESOLUTIONS BY TRANSACTION TYPE

Number of Resolutions — 69



### COST OF RESOLUTION AS A PERCENT OF LIABILITIES AT CONSERVATORSHIP\*



\* Cost of resolution is the estimated dollar amount to be spent by the RTC to cover differences between cash outlays and future net asset recoveries from the resolution of insolvent S&Ls, the shortfall representing a loss to the RTC. This loss consists primarily of the negative net worth of the insolvent institution plus losses from asset sales, reduced by acquirer premiums.

\*\* P&A transactions include 7 resolutions with a partial payoff of branches.

thrift's assets and liabilities are marketed simultaneously, but packaged so that potential "asset-only" acquirers can place bids exclusively for certain asset packages, while financial institutions interested primarily in the deposit franchise can place "liability-only" bids. In addition, franchise bidders can link their franchise bid to a bid on the asset pools. Whole-thrift bids are also encouraged. Investors Federal Savings Bank (Investors

**1992 RESOLUTION COST AND SAVINGS BY STATE**

(dollars in millions)

State	Resolved Institutions	Resolution Cost**	Estimated Savings
Alabama	1	\$ 70	\$ 9
Arizona	1	15	0
Arkansas	1	22	3
California*	6	1,254	49
Connecticut	3	62	6
Florida*	7	1,428	226
Georgia	4	79	3
Illinois	4	115	26
Indiana	1	1	0
Iowa	2	12	5
Louisiana*	1	446	15
Maryland	2	15	1
Michigan	1	2	2
Missouri*	3	608	16
New Jersey	3	148	5
New Mexico	1	34	0
New York	3	477	15
North Carolina	1	82	5
Ohio*	2	3	5
Oklahoma	3	128	8
Pennsylvania	2	189	11
Rhode Island	1	10	0
South Dakota*	1	49	9
Tennessee	1	170	17
Texas	7	355	106
Utah	1	3	0
Virginia*	5	1,399	115
Wisconsin	1	15	3
<b>Total [28]</b>	<b>69</b>	<b>\$7,190</b>	<b>\$660</b>

\* These states contain 9 thrifts resolved under the Accelerated Resolutions Program.

\*\*Resolution cost estimated at time of resolution.

Note: Detail may not add to totals due to rounding.

Federal), Richmond, Virginia, was the only thrift resolved under the CIM program in 1992. Central Fidelity Bank, Richmond, Virginia, assumed Investors Federal's \$.9 billion in deposits in 47 Virginia offices; 16 different investors acquired \$1.06 billion (book value) in Investors Federal's assets.

**Office of Field Resolutions**

In 1992, the Office of Field Resolutions resolved 44 conservatorships with a total of \$4.5 billion in deposits. Two thrifts—Springfield Federal Savings Association, Springfield, Pennsylvania; and Republic Federal Savings Bank, Matteson, Illinois—were resolved without cost to the RTC. Both were acquired by thrifts in their respective states. Field resolutions also included four insured deposit payoffs (two in Texas, and one each in Rhode Island and Virginia, all single-office operations) with a combined total of \$169 million in insured deposits. Two others involved partial payoffs of \$46 million in insured deposits serviced by six unsalable branches. The 44 transactions generated \$73 million in premium income, or approximately 2 percent of resolved core deposits. Field resolutions in 1992 included 14 transactions involving two or more acquirers. A total of 59 financial institutions, many of them community banks with less than \$100 million in assets, were acquirers in these field resolutions.

**Accelerated Resolutions Program**

The Accelerated Resolutions Program (ARP) was created in 1990 on the premise that early intervention in a failing thrift could create significant taxpayer savings. Unlike other thrifts resolved by the RTC, those resolved through ARP are not placed in conservatorship prior to resolution. Thrifts placed in ARP are those that the Director of the OTS has determined are

in danger of failing and whose financial condition would cause them to be placed into RTC conservatorship within one year. The thrifts are not necessarily insolvent, but generally fail to meet minimum capital requirements and have agreed to participate in the program. To be placed in ARP, there must be identified investor interest in the thrift's entire franchise, and its management must be stable.

In 1992, nine thrifts were resolved through ARP, compared to 21 in 1991 and four in 1990. These nine thrifts had total deposits of \$8.5 billion, compared to \$7.4 billion in 1991 and \$3.7 billion in 1990, as of date of resolution. ARP resolutions generated deposit premiums of \$131 million, or about 1.8 percent of the transferred core deposits. In addition, premiums totaling \$170 million were paid for "Schedule B" assets (one- to four-family mortgages), which under ARP are offered simultaneously with the franchise to both franchise and mortgage buyers.

The estimated cost of resolving thrifts through ARP in 1992, as a percentage of total deposits of resolved thrifts, was 16 percent, compared to 19 percent for the thrifts resolved by the Office of Field Resolutions, and 30 percent for those resolved by the Office of Major Resolutions.

OTS and RTC personnel coordinate the marketing of ARP thrifts. OTS is responsible for overseeing the management of the institution pending its sale, and the RTC is responsible for managing the transaction. The two agencies also work



together to find other alternatives to conservatorship for weak thrifts, such as no-cost mergers and open assistance, in which the government provides funds to the thrift to maintain its franchise value until it is sold.

Two ARP resolutions were completed in 1992 without cost to the RTC. First Ohio Savings Bank, FSB, Saint Bernard, Ohio, with \$32 million in deposits, was acquired by the Indiana-based MBT Bancorp; and First State Savings Association, Sedalia, Missouri, with \$166 million in deposits, was acquired by Mercantile Bank of Sedalia, Sedalia.

The largest ARP resolution in 1992 was Perpetual Savings Bank, F.S.B. (Perpetual), Vienna, Virginia. The thrift's \$2.6 billion in deposits were transferred to subsidiaries of Crestar Financial Corporation, Richmond, Virginia, which paid an \$8 million deposit premium, or 0.3 percent of core deposits. Perpetual was one of five \$1 billion-plus institutions resolved through the ARP in 1992.

HomeFed Bank (HomeFed), San Diego, California, with \$10.2 billion in deposits and \$13.9 billion in assets, was placed in the ARP in April 1992 and was to be marketed under the CIM program. Because Congress did not provide funding for the RTC after March 31, 1992, HomeFed was placed into RTC conservatorship on July 6, 1992.

### Minority Participation

The National Marketing List includes more than 300 individuals, investor groups, and financial institutions that have

indicated that they are minority- or women-owned, or are a minority member or a woman. Included in the list are 64 Asian American, 95 Black American, 75 Hispanic American, and 47 Native American groups or individuals, and 28 women.

In 1992, two minority-owned thrifts were resolved. No like-minority institution presented an acceptable offer for either of these franchises. Service was continued to the minority communities, however, as the \$8 million in deposits of New Age Federal Savings Association, St. Louis, Missouri, were acquired by Commerce Bank of St. Louis, N.A., St. Louis; and the \$6 million in deposits of Connecticut Federal Savings and Loan Association, Hartford, Connecticut, were acquired by Bank of Boston-Connecticut, Waterbury, Connecticut. In the latter resolution, the Black American-owned Boston Bank of Commerce acquired \$15 million (virtually the entirety) of the failed thrift's assets.

### Department of Planning and Analysis

The Department of Planning and Analysis was established in February 1992 by consolidating the Offices of Research and Statistics, and Budget and Planning to provide research and analytical services to support RTC operations, and to facilitate the use of corporate resources through resource management.

### Office of Research and Statistics

The Office of Research and Statistics provides economic, financial, and statistical data and analysis to other offices and divisions, and provides information on RTC activities to Congress and the public. The office consists of three sections: Financial Modeling and Statistics, Financial Markets and Institutions, and Cost Analysis.

The Financial Modeling and Statistics Section regularly prepares data on the RTC's operations and performance for dissemination within the Corporation and to the Thrift Depositor Protection Oversight Board, Congress, and the public. The monthly *RTC Review* provides much of this information.

The section projects the RTC's future loss fund and working capital needs for use in funding requests made to Congress, the RTC's operating plan, and its financial statements. In addition, the section prepares public information packages for distribution to potential bidders of insolvent thrifts, and prepares estimates of future asset sales and collections for use in the preparation of RTC sales goals.

During 1992, the staff provided analytical support for receivership operations through the calculation of payments due to general creditors left behind in pass-through receiverships, assisted in the preparation and operation of the flexible budget model, and served as liaison between users of the Corporate Information System, which integrates data from a number of key RTC data systems into one data-

base, and the Office of Corporate Information.

The Financial Markets and Institutions Section addresses the policy- and economics-oriented issues of asset management and disposition. The section publishes the bi-monthly *Regional Economic Review*, which provides valuable indicators of real estate market conditions, and participates in the estimated cash recovery (ECR) process for quarterly valuation of receivership assets. The section designed the analytical and statistical methodology for the ECR process. In addition, the section also coordinates and prepares most RTC testimony presented before Congress.

The section provided analytical assistance for the 1988 FSLIC assistance agreement renegotiations, and prepared a number of studies on specific aspects of RTC operations, including a model predicting future thrift institution losses; bidding activity on National Sales Center portfolio sales; indirect expenses associated with different types of assets; open bank assistance; redesign of the SAMDA program; and estimates of net returns on sales of real estate and

non-performing loans through National Sales Center portfolio transactions, SAMDA contractors, and open-cry and sealed-bid auctions.

The Cost Analysis Section supplies analytical support, financial forecasting, and information management in the RTC's resolutions and ECR processes. The section produces the RTC's "cost test" for all major resolutions and for accelerated resolutions, and provides technical assistance to field office personnel on field resolutions. The section provides the resolution database, and provides resolution reports to RTC senior management, the Thrift Depositor Protection Oversight Board, Congress, and the GAO. The section is also responsible for conducting the quarterly ECR process in which the market value of receivership assets is estimated.

### **Office of Budget and Planning**

The Office of Budget and Planning coordinates and oversees the RTC's budget process, and facilitates the use of corporate resources in business planning, resource estimation, performance measurement, and progress monitoring.

The office initiated major changes in 1992 to accommodate the RTC's maturing operations. With the assistance of the Office of Research and Statistics, the office developed a financial model to aid in forecasting, flexible budgeting, and financial reporting. During the year, the office contributed to the design and implementation of the new Financial Management System and General Ledger, which require periodic review.

In the RTC's 1992 budget, operating expenses totaled \$3.5 billion. Of this amount, outside services accounted for 60 percent, receivership real estate accounted for 17 percent, and employee compensation accounted for 14 percent. In 1992, the RTC staff decreased by 1,125 employees, a 14 percent reduction from 1991.

# ASSET MANAGEMENT AND SALES

The Division of Asset Management and Sales manages and disposes of assets acquired from failed thrifts. The division accomplishes this through the Departments of Asset Management, Field Activities and Sales, and Capital Markets, and through the Affordable Housing Disposition Program.

During 1992, RTC asset sales and collections totaled \$77 billion (net of putbacks); from inception through 1992, asset sales and collections amounted to \$305 billion (net of putbacks). Book value reductions for the fiscal year ended September 30, 1992, totaled \$101 billion, or 101 percent of the RTC's goal, with the RTC realizing an 87 percent return of the book value of disposed assets. From inception through the end of 1992, book value reductions totaled \$330 billion. The asset inventory remaining at yearend 1992 totaled \$104 billion.

## Department of Asset Management

The Department of Asset Management develops and implements all policies and procedures governing the management and disposition of assets, except for securitization transactions. The department consists of the Offices of SAMDA Program Management, Asset and Subsidiary Management, Case Management and Program Compliance, Settlement Workout, and Systems Management.

### Office of SAMDA Program Management

The Office of SAMDA (Standard Asset Management and Disposition Agreement) Program Management issues and monitors all SAMDAs, which totaled 188 from inception of the SAMDA program in August 1990 through yearend 1992. At yearend, 92 SAMDA

contractors were managing assets with a total book value of approximately \$23 billion.

From August 1990 through December 1992, SAMDA contractors managed assets with a total book value of \$36.4 billion, and disposed of one-third, or \$12.66 billion, of those assets.

In 1992, the RTC began to downsize the SAMDA program because the amount of RTC assets had been reduced through sales. Management of SAMDAs was consolidated into six field offices in Valley Forge, Pennsylvania; Atlanta, Georgia; Kansas City, Missouri; Dallas, Texas; Denver, Colorado; and Newport Beach, California.

### Office of Asset and Subsidiary Management

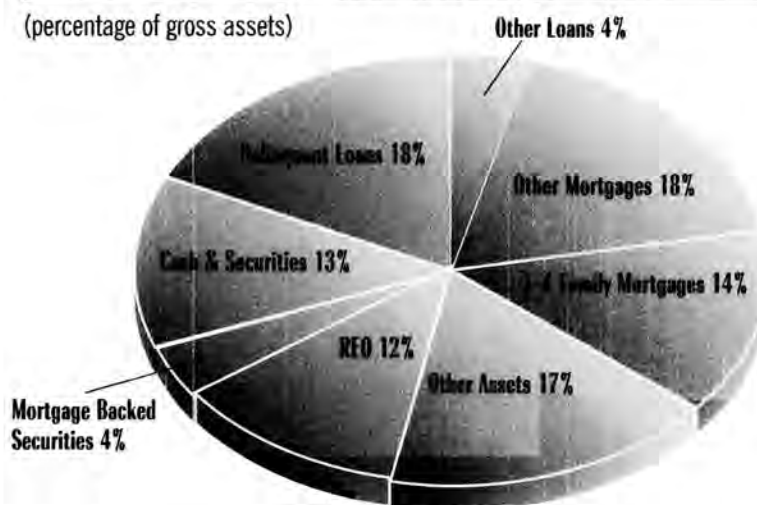
The Office of Asset and Subsidiary Management develops the RTC's policies and procedures on asset valuation, seller financing, subsidiary management and disposition, and general real estate and loan credit management.

In 1992, the RTC developed procedures for originating seller-financing loans for commercial REO and servicing notes, and equity interests acquired from multiple asset sales and multiple investor funds. A commercial seller-financing staff was created in each field office to manage loan origination, loan approval, and shipping to loan servicers. By yearend, the RTC had closed approximately \$1.41 billion in commercial seller-financed transactions.

During 1992, the office established a policy on lead-

## CONSERVATORSHIP AND RECEIVERSHIP ASSETS UNDER RTC MANAGEMENT AS OF DECEMBER 31, 1992

(percentage of gross assets)



Total Assets: \$104 Billion

based paint in RTC-occupied and non-occupied residential properties. The policy calls for the RTC to assess the potential health and financial risks before it sells, leases, or forecloses on properties with lead-based paint. The office also accelerated the use of private sector contractors and various environmental groups to improve the RTC's ability to identify environmental resources on REO property and property held as collateral for loans. In addition, the office coordinated the marketing of hazardous properties to firms interested in purchase, remediation, and resale with the National Sales Center.

### **Office of Case Management and Program Compliance**

The Office of Case Management and Program Compliance analyzes all proposed asset-related actions (i.e., sales and financing) that require headquarters approval, monitors the performance of asset sales contractors, coordinates the assessment of each field office's compliance with internal controls related to division program areas, and coordinates the development and implementation of asset management and sales policy training programs with the RTC's Office of Human Resources Management.

In 1992, the RTC implemented a collection policy to ensure that contractors and thrift or asset purchasers are not in default to an RTC/FDIC-controlled institution. In addition, the office conducted annual Program Compliance Reviews at

seven field offices, and revised appraisal policies to enhance the asset sales process.

### **Office of Settlement Workout**

The Office of Settlement Workout restructures problem loans and negotiates settlements with defaulted borrowers. Assets assigned to the office generally have a high book value; may have the potential for substantial legal costs; may be involved in, or have the threat of, complex litigation; or may not have sold after a prolonged period according to their proposed disposition plans.

In 1992, two Settlement Workout Assistance Teams (SWATs) were assigned to each field office to evaluate problem assets and execute necessary workout negotiations or collection strategies with defaulted borrowers. SWATs were authorized to work out credit problems of up to \$100 million, allowing for a more timely approval process. By yearend, SWATs—with the assistance of 18 SWAT contractors—had restructured, sold, or worked out \$2.7 billion in SWAT assets; another \$4.7 billion in assets were under review at the end of 1992. In addition, 19,000 problem assets, with a total book value of \$42 billion, were involved in litigation in 1992. Litigation Review Committees in each permanent field office evaluated major litigation, including expenses.

### **Office of Systems Management**

The Office of Systems Management coordinates the

development, implementation, and maintenance of the division's information systems; manages related contracts, such as the Data Integrity Support and the Policy and Procedure Support contracts; and monitors the performance of major operating systems such as the Real Estate Owned Management System (REOMS) and the Asset Manager System (AMS).

During 1992, the data integrity of REOMS and AMS was improved by correcting existing information and decreasing the number of data elements in the systems. In addition, REOMS Data Upload Facilities were developed to minimize the need for duplicate data entry by SAMDA and RTC systems.

### **Department of Field Activities and Sales**

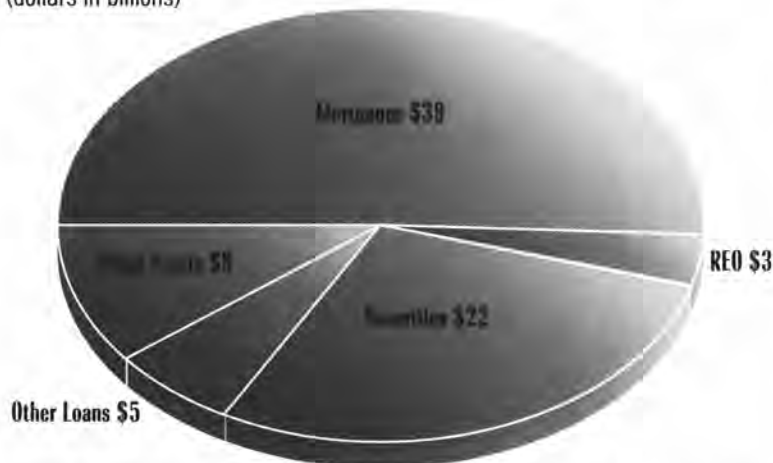
The Department of Field Activities and Sales coordinates national sales efforts, and oversees field office sales and operations. The department consists of the Offices of Field Liaison, National Sales, and National Marketing.

#### **Office of Field Liaison**

The Office of Field Liaison oversees the asset management and sales operations in the six major field offices, which manage assets primarily through SAMDA contracts. The office also manages and disposes of the institutions' subsidiaries, and oversees the field responsibilities of the RTC self-insurance program. In 1992, the RTC reduced insurance administration and premium

## 1992 ASSET SALES AND COLLECTIONS— CONSERVATORSHIPS, RESOLUTIONS AND RECEIVERSHIPS

(dollars in billions)



**Total Sales and Collections: \$77 Billion (Net of Putbacks)\***

\*Putbacks totaled \$1.9 billion in 1992. Putbacks include some assets returned from pre-1992 resolution sales.

costs by \$32.7 million by switching from existing policies on assets to self-insurance.

The office also oversees all field office staff support activities such as facilities operations, budgeting, information services, resolutions, claims and settlements, asset operations, and financial reporting.

### Office of National Sales

The Office of National Sales plans, coordinates, and executes major asset sales. The office disposes of illiquid assets such as real estate and non-performing loans, and conducts portfolio and structured sales (sales of pools of assets chosen by the RTC and a purchaser) of more than \$100 million in assets in a single transaction. The latter offerings are composed primarily of commercial real estate and non-performing mortgages.

The office develops market-

ing-related data, develops and implements new sales strategies to dispose of assets, and conducts nationwide auctions of real estate and loans. The office is the primary contact for investors needing information about RTC sales procedures and opportunities.

In 1992, the office was involved in a number of notable sales transactions. For example, the RTC signed a contract with Chequers Investment Associates, Dallas, Texas, for the \$130.5 million sale of the RTC's first large structured portfolio of hotel properties, performing loans, and non-performing loans collateralized by hotel assets, with a total book value of \$237 million. The office also conducted a number of portfolio sales of unique assets such as mini-warehouse facilities and shopping centers, and loans secured by unusual or specialized collateral such as congregate care facilities.

In August, Daiwa Finance Corporation of New York purchased a portfolio of 69 performing congregate care and nursing home loans for approximately \$205 million, or 91 percent of its book value. Also in August, Commercial Properties Funding Corporation, Stamford, Connecticut, purchased a portfolio of 47 shopping centers, with a book value of \$218 million, for \$71 million in an all-cash transaction. In September, the office conducted the RTC's largest auction since its inception—nearly \$500 million (book value) in non-performing loans were auctioned in Los Angeles, California, for a total of \$247.9 million.

The office developed several new sales strategies to dispose of the remaining asset inventory. To dispose of hard-to-sell land assets, the National Land Fund was designed as a partnership in which a major land developer and financing source would serve as general partner and the RTC would be a passive limited partner. The Multiple Investor Fund program and the N-series transactions were also developed to sell non-performing and sub-performing loans in partnership structures with private investors.

### Office of National Marketing

The Office of National Marketing coordinates asset marketing programs nationwide, and provides asset sales support through advertising, industry relations, marketing systems, and customer services and telemarketing.

In 1992, the office established an in-house advertising

facility with graphic-design and media-buying capabilities, saving \$1.5 million annually. The office also produced a new RTC logo to project a progressive image of the Corporation, promote more consistent identification, and reduce reproduction costs.

The office also designed and produced a series of 12 informational and sales brochures for use by all field and national sales staff in promoting RTC sales programs. In addition, the office increased the number of investors listed on the National Asset Marketing Application (also known as the Investor Database) to over 10,000—a 200 percent increase from 1991. The list serves as the primary marketing source for field and national sales campaigns and event notifications.

In 1992, the National 1-800 Telemarketing Program, developed by the office, became the central point for the general public to obtain RTC information. Almost one million calls were received on the Affordable Housing Hotline, the Broker Hotline, and the Information Center Line from the program's March 15, 1991, inception to yearend 1992. Callers can access all services of the telemarketing program through a single call.

## Department of Capital Markets

The Department of Capital Markets plans, coordinates, and directs RTC capital markets transactions. This includes the creation and sale of securitized loan products, and the sale of debt and equity acquired through RTC interventions. The

department consists of the Offices of Securities Transactions and Securitization.

### Office of Securities Transactions

The Office of Securities Transactions sells securities acquired through RTC interventions. The types of securities offered include junk bonds, equity securities, U.S. Treasury obligations, and federal agency and mortgage-backed securities.

In 1992, the RTC registered with the Securities and Exchange Commission (SEC) a total of \$15 billion in residential, multi-family, and manufactured housing mortgage pass-through securities; \$14.45 billion was taken down from the shelf.

From inception of the securities sales program in March 1990 through yearend 1992, the RTC sold over \$61 billion of securities and \$9 billion of interest-rate swaps, and disposed of over \$8 billion in junk bonds, recovering approximately 65 cents on the dollar for the taxpayers. At yearend, only \$211 million in junk bonds remained in the RTC inventory.

The office used several programs to sell highly illiquid securities, including limited partnership interests, highly leveraged transactions, and commercial loan participations.

### Office of Securitization

The Office of Securitization develops, manages, and implements a program to securitize financial assets taken over by the RTC, including performing mortgage and other loans, and non-performing commercial

mortgage loans.

In 1992, the office used the Multiple Investor Fund and N-series transactions to dispose of non-performing and sub-performing loans. These transactions involve establishing partnerships between the RTC and private investors who purchase, manage, and then sell portfolios of non-performing and sub-performing loan assets, and share in the profits with the RTC. The structure provides incentives for equity partners to work out portfolios with the highest returns to the partners and the RTC.

In 1992, the office developed the RTC securitization program for non-conforming single-family mortgages, multifamily loans, and commercial real estate loans. The RTC also filed a separate registration with the SEC for one home equity loan securities issue totaling \$311 million.

From inception of the securitization program in June 1991 to yearend 1992, over \$32.8 billion in assets were securitized, including single-family, multifamily, and commercial mortgages, and commercial and consumer loans.

## Department of Affordable Housing

The Department of Affordable Housing identifies real estate assets suitable for sale to low-to moderate-income families and individuals, as well as non-profit housing organizations, through its Affordable Housing Disposition Program.

In 1992, the RTC sold the following properties to state and local housing authorities through its Affordable Housing Disposition Program:

**PROPERTIES SOLD TO STATE AND LOCAL HOUSING AUTHORITIES**

Housing Authority (HA)	Property	Sales Price
Panama City HA Panama City, FL	Northgate Terrace II Apts. Panama City, FL	\$ 425,865
Pierce County HA Tacoma, WA	Eagles Watch Apts. Puyallup, WA	\$2,500,000
Fulton County HA Atlanta, GA	Provence North Apts. Atlanta, GA	\$2,400,000
Reno HA Reno, NV	7th St. Apts. Reno, NV	\$ 200,000
Clark County HA Las Vegas, NV	Walnut Grove Apts. Las Vegas, NV	\$3,500,000
New Mexico Mortgage Finance Albuquerque, NM	Park Terrace Apts. Albuquerque, NM	\$ 781,000
City of Lakeland Lakeland, FL	508 N. Gilmore Rd. Lakeland, FL	\$ 7,000
Housing Redevelopment Authority St. Paul, MN	536 Edmund Ave. St. Paul, MN	\$ 11,200
HA of San Antonio San Antonio, TX	512 W. Magnolia Apts. San Antonio, TX	\$ 5,000
City of Albuquerque Albuquerque, NM	5405/5401 Tucson Rd. Albuquerque, NM	\$ 75,000
City of Enid Enid, OK	1405 N. Central 1318 N. Central 1310 N. 19th 915 Washington	\$ 11,500 \$ 12,655 \$ 15,000 \$ 10,000
Norfolk Redevelopment and Housing Authority Norfolk, VA	109 W. 3rd St. 829 W. 37th St. 802 34th St. 9632-3 Grove Ave.	\$ 4,000 \$ 9,000 \$ 5,000 \$ 52,500
Colorado Housing and Finance Authority Denver, CO	12 Properties: Franklin Apts. Denver, CO Hudson Apts. Colorado Springs, CO Saxony Apts. Denver, CO The Rectory Apts. Colorado Springs, CO Courtyard Commons Denver, CO Murray Park Apts. Colorado Springs, CO 2029 W. 36th St. Apts. Denver, CO Hudson II Apts. Colorado Springs, CO Ivy Hill Apts. Aurora, CO 615 N. Corona St. Apts. Colorado Springs, CO 722/24 N. Nevada Apts. Colorado Springs, CO Gib Lane Apts. Colorado Springs, CO	\$1,400,000

**Affordable Housing Disposition Program**

The Affordable Housing Disposition Program offers income-eligible purchasers and non-profit housing organizations an exclusive 97-day marketing period and option to purchase these properties. Non-profit housing organizations include consumer and public interest groups, as well as state and local housing agencies.

In 1992, 5,942 single-family properties were sold through the affordable housing program for a total of \$156 million. From the program's inception in August 1990 to yearend 1992, 13,645 single-family properties were sold for a total of \$384 million, with sales averaging 63 percent of book value. These properties were offered primarily through auctions and sealed bids.

During the year, over 200 affordable housing sales events were held in 31 states. Sixty-nine percent of the purchasers were from lower-income families—those with incomes of less than 80 percent of the national median income—with an average sales price of a single-family home in the program was \$28,151; single-family sales averaged 70 percent of book value.

The RTC provided seller financing for 1,443 single-family homes sold under the affordable housing program in 1992. From the program's inception through yearend 1992, the RTC provided seller financing for 2,342 single-family homes, or 17 percent of the total sold. Purchasers utilized \$52 million of RTC-sponsored mortgage revenue bonds.

In 1992, 183 multifamily affordable housing properties were sold for a total of \$164 million; the RTC provided seller financing for six of the properties. From inception through 1992, the RTC sold 309 multifamily affordable housing properties, containing 27,000 units, for a total of \$306 million.

From inception of the affordable housing program through yearend 1992, approximately 820 properties with no reasonable recovery value had been made available for conveyance to non-profit organizations and public agencies. Of those, 736 were conveyed by yearend, 175 of which were conveyed in 1992 alone.

On May 6, 1992, an interim final rule was published in the *Federal Register* amending some parts of the affordable housing program. In addition, the RTC issued two directives on the rule's amendments.

Changes in the single-family housing sales program included the following:

- Purchasers of single-family properties under the affordable housing program must reside in the property for at least 12 months. If the property is sold before then, the RTC may take 75 percent of any profits from the sale.

- The RTC may sell a single-family affordable housing property to a family earning above 115 percent of the area median income (the maximum income allowed for purchasers of afford-



able housing properties) if that family is renting the property when it is placed into the affordable housing program.

Changes in the condominium housing sales program included the following:

- Individual properties may only be sold to persons who qualify under affordable housing income guidelines. Properties listed in portfolios may be sold to non-profit organizations,

public agencies, or for-profit entities that agree to the lower-income occupancy requirements for condominiums.

- One hundred percent of the properties purchased by non-profit organizations, public agencies, and for-profit entities must be made available for occupancy and maintained as affordable for lower-income families.

Changes in the multifamily sales program included the

following:

- In a portfolio sale of multifamily properties, purchasers must commit at least 15 percent of the units per property for very low-income or lower-income families (this rule affects properties whose marketing period commenced on or after June 2, 1992).

- The RTC will give discounts to purchasers who commit to setting aside more than 35 percent of the units for very low- and lower-income occupancy.



# REGULATIONS

## Final Rules

### Restrictions on the Sale of Assets by the Resolution Trust Corporation

Published July 21, 1992;  
Effective August 20, 1992

The RTC adopted a regulation requiring that assets held by the RTC in the course of liquidating federally insured savings associations not be sold to persons who, in ways specified in the Comprehensive Thrift and Bank Fraud Prosecution and Taxpayer Recovery Act of 1990, contributed to the demise of the savings associations. The rule is intended to accomplish the Congressional directive by implementing a self-certification process that is a prerequisite to the sale of assets by the RTC. The regulation provides definitions that clarify the intent of Congress regarding the scope of the statutory prohibitions.

### Disclosure of Information

October 29, 1992

The RTC adopted a regulation for the processing of requests for access to RTC records, other than the records of the RTC Inspector General, pursuant to the Freedom of Information Act (FOIA). This regulation establishes the procedures to be used by the public to request records from the RTC, the procedures to be used to appeal a decision to deny access to records, and the fees for access to records.

## Real Estate Appraisals

Published November 2, 1992; Effective December 2, 1992

The RTC amended its real estate appraisal regulations, identifying additional transactions for which the services of an appraiser are not required. This regulation eliminates the requirement for regulated institutions (i.e., depository institutions under RTC conservatorship or receivership) to obtain appraisals by certified or licensed appraisers for real estate-related financial transactions having a value, as defined in the regulation, of \$100,000 or less; permits regulated institutions to use appraisals prepared for loans insured or guaranteed by an agency of the federal government if the appraisal conforms to regulations or other requirements of the federal insurer or guarantor; exempts appraisals involving one- to four-family residential properties from certain minimum appraisal standards under specified conditions; and adds a definition of "real estate" and "real property" to clarify that the appraisal regulation does not apply to transactions involving mineral rights, timber rights, growing crops, or water rights.

The regulation also incorporates three technical amendments. The first technical amendment clarifies that the requirements of the appraisal regulation must be met for all real estate-related financial transactions except those in which the services of an appraiser are not required under the regulation. The second technical amendment confirms that in accor-

dance with the Federal Deposit Insurance Corporation Improvement Act of 1991, the RTC delayed until December 31, 1992, the date by which state-certified and licensed appraisers must be used for all federally related transactions. The third technical amendment clarifies that the appraisal regulation does not apply to loans not secured by real property.

### Office of Inspector General: Privacy Act Regulations

December 2, 1992

The RTC Office of Inspector General (OIG) adopted a regulation for the processing of requests for access to or amendment of records pursuant to the Privacy Act of 1974. This regulation establishes the procedures to be used in requesting records from the RTC OIG, the procedures for contesting the content of records, and the identification of records systems that are exempt from the access, amendment, and disclosure accounting provisions of the Privacy Act. One records system exempt from certain provisions of the Privacy Act, entitled "Office of Inspector General Investigative Files," contains investigatory material compiled for law enforcement purposes and for determining suitability, eligibility, or qualifications for federal civilian employment, federal contracts, or access to classified information.

## Interim Final Rules

### Affordable Housing Disposition Program

May 6, 1992

The RTC adopted an interim final rule amending the existing regulations governing its Affordable Housing Disposition Program because the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 changed the manner in which the RTC is to identify, market, and sell certain affordable housing properties. This interim final rule also clarifies certain policies of the RTC regarding the disposition of assets in the affordable housing program, thereby enhancing the availability and affordability of residential real property for very low income, lower-income, and moderate-income families and individuals.

### Minority and Women Outreach Contracting Program

August 10, 1992

The RTC adopted an interim final rule for the RTC to identify, promote, and certify eligible firms for inclusion in its contracting activities, while assuring that the RTC's use of private-sector services is accomplished practicably and efficiently. The RTC deemed it appropriate to

design a program that will aggressively reach out to minorities and women, and firms owned by minorities and women, enabling them to participate more fully in RTC contracting activities through joint venture agreements and other devices. The RTC also will provide incentives (i.e., cost and technical bonuses) to firms owned by minorities and women when evaluating competitive offers to contract. The rule also governs the identification, promotion, and certification of eligible law firms for inclusion in the RTC legal services contracting process.

## Interim Rules

### Privacy Act Regulations

September 22, 1992

The RTC adopted an interim rule for the processing of requests for access to or amendment of records, other than the records of the RTC Inspector General, pursuant to the Privacy Act of 1974. The rule also establishes administrative appeals procedures and conditions for disclosure of information from a records system outside the Corporation. In addition, the rule exempts certain records systems from certain sections of the Privacy Act.

## Proposed Regulations

### Procedures Applicable to RTC Investigations

July 27, 1992

The RTC proposed regulations for procedures to be used in RTC investigations that involve the exercise of powers, including subpoena powers, contained in section 8(n) of the Federal Deposit Insurance Act, as amended. The RTC is authorized under FIRREA to exercise such investigatory powers in carrying out its statutory obligations to resolve failed savings associations.

### Program Fraud Civil Remedies and Procedures

November 18, 1992

The RTC proposed rules to implement the Program Fraud Civil Remedies Act of 1986. The proposed rules would establish administrative procedures for determining whether to impose the statutorily authorized civil penalties against any person who makes, submits, or presents a false, fictitious, or fraudulent claim or written statement to the Corporation.



# FINANCIAL STATEMENTS AND INTERNAL CONTROLS

## RESOLUTION TRUST CORPORATION STATEMENTS OF FINANCIAL POSITION

(dollars in thousands)

	<u>December 31, 1992</u>	<u>December 31, 1991</u>
<b>ASSETS</b>		
Cash (Note 3)	\$ 3,048,320	\$ 9,034,326
Net advances (Note 4, 6, 15 and 18)	9,331,348	15,927,967
Net subrogated claims (Note 5, 6, 15 and 18)	32,490,003	37,516,144
Net assets purchased by the Corporation (Note 6, 7 and 15)	82,305	0
Other assets	13,319	13,398
<b>TOTAL ASSETS (Note 14)</b>	<b><u>\$44,965,295</u></b>	<b><u>\$62,491,835</u></b>
<b>LIABILITIES</b>		
Accounts payable, accrued liabilities, and other (Note 16 and 17)	\$ 224,558	\$ 275,636
Due to receiverships (Note 8)	29,111	1,634,199
Notes payable and accrued interest (Note 9)	37,474,371	57,518,561
Estimated cost of unresolved cases (Note 6, 10 and 15)	16,858,857	25,492,652
Estimated losses from corporate litigation (Note 6 and 11)	375,375	197,599
<b>TOTAL LIABILITIES</b>	<b><u>54,962,272</u></b>	<b><u>85,118,647</u></b>
<b>EQUITY</b>		
Contributed capital (Note 3)	55,522,019	48,827,551
Capital certificates	31,286,325	31,286,122
Accumulated deficit	(96,805,321)	(102,740,485)
<b>TOTAL EQUITY (Note 12)</b>	<b><u>(9,996,977)</u></b>	<b><u>(22,626,812)</u></b>
<b>TOTAL LIABILITIES AND EQUITY (Note 14)</b>	<b><u>\$44,965,295</u></b>	<b><u>\$62,491,835</u></b>

See accompanying notes



**RESOLUTION TRUST CORPORATION STATEMENTS OF REVENUES, EXPENSES AND ACCUMULATED DEFICIT**

(dollars in thousands)

	<u>Year Ended December 31, 1992</u>	<u>Year Ended December 31, 1991</u>
<b>REVENUES</b>		
Interest on advances and subrogated claims	\$ 532,183	\$ 1,473,174
Other interest income	10,087	14,300
Other revenue (Note 3)	33,288	19,085
<b>TOTAL REVENUES</b>	<u><b>575,558</b></u>	<u><b>1,506,559</b></u>
<b>EXPENSES</b>		
Interest expense on notes issued by the Corporation	1,928,623	3,472,288
Interest expense on amounts due receiverships	774,320	1,903,837
Reduction in loss allowances (Note 6)	(8,116,762)	(1,449,191)
Administrative operating and other expenses (Note 2, 14 and 17)	54,213	29,957
<b>TOTAL EXPENSES</b>	<u><b>(5,359,606)</b></u>	<u><b>3,956,891</b></u>
<b>NET REVENUE (LOSS)</b>	5,935,164	(2,450,332)
<b>ACCUMULATED DEFICIT, BEGINNING</b>	(102,740,485)	(100,290,153)
<b>ACCUMULATED DEFICIT, ENDING (Note 12)</b>	<u><u><b>(\$96,805,321)</b></u></u>	<u><u><b>(\$102,740,485)</b></u></u>

See accompanying notes

**RESOLUTION TRUST CORPORATION STATEMENTS OF CASH FLOWS**

(dollars in thousands)

	<u>Year Ended December 31, 1992</u>	<u>Year Ended December 31, 1991</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
<b>Cash inflows from:</b>		
Receipts from subrogated claims	\$29,655,899	\$17,665,488
Repayments of advances and reimbursable expenditures	14,772,701	23,064,174
Receipts of interest on advances	754,480	1,595,363
Receipts from asset liquidations	53,089	0
Receipts from other operations	32,140	27,657
<b>Cash outflows for:</b>		
Disbursements for subrogated claims	(22,668,747)	(56,199,015)
Disbursements for advances	(11,735,557)	(18,427,996)
Disbursements for reimbursable expenditures	(1,554,588)	(1,022,149)
Administrative operating and other expenditures	(41,555)	(31,081)
Interest paid on notes payable	(1,605,807)	(907,831)
<b>Net Cash Provided (Used) by Operating Activities (Note 13):</b>	<b><u>7,662,055</u></b>	<b><u>(34,235,390)</u></b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
<b>Cash inflows from:</b>		
Contributed capital	25,033,510	30,030,328
Notes payable	7,500,000	12,150,000
Capital certificates	203	7,038,268
<b>Cash outflows for:</b>		
Contributed capital returned to the Treasury (Note 1)	(18,314,767)	0
Repayment of notes payable, principal	(27,867,007)	(11,125,674)
<b>Net Cash Provided (Used) by Financing Activities</b>	<b><u>(13,648,061)</u></b>	<b><u>38,092,922</u></b>
<b>Net increase (decrease) in Cash</b>	<b><u>(5,986,006)</u></b>	<b><u>3,857,532</u></b>
<b>CASH-BEGINNING</b>	<b><u>9,034,326</u></b>	<b><u>5,176,794</u></b>
<b>CASH-ENDING</b>	<b><u>\$3,048,320</u></b>	<b><u>\$9,034,326</u></b>

See accompanying notes

## **Resolution Trust Corporation**

### **Notes to Financial Statements**

### **December 31, 1992 and 1991**

#### **1. Impact of Legislation**

The RTC, a Government Corporation, was created by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) to manage and resolve all troubled savings institutions that were previously insured by the Federal Savings and Loan Insurance Corporation (FSLIC) and for which a conservator or receiver was appointed during the period January 1, 1989 through August 8, 1992. In December 1991, this period was extended to September 30, 1993 by the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991.

The activities of the RTC are subject to the general oversight of the Oversight Board, which was redesignated the Thrift Depositor Protection (TDP) Oversight Board and increased in size by the December 1991 legislation. The TDP Oversight Board monitors the operations of the RTC, provides the RTC with general policy direction, and reviews the RTC's performance. The seven members on the TDP Oversight Board include: the Secretary of the Treasury; the Chairperson of the Board of Governors of the Federal Reserve System; the Director of the Office of Thrift Supervision (OTS); the Chairperson of the Board of Directors of the Federal Deposit Insurance Corporation (FDIC); the Chief Executive Officer of the RTC; and two independent members appointed by the President, with the advice and consent of the Senate.

Under current law, the RTC will terminate on or before December 31, 1996. All remaining assets and liabilities will be transferred to the FSLIC Resolution Fund which is managed by the FDIC. Proceeds from the sale of such assets will be transferred to the Resolution Funding Corporation (REFCORP) for interest payments after satisfaction of any outstanding liabilities.

#### ***Source of Funds***

The RTC is funded from the following sources: 1) U.S. Treasury appropriations and borrowings; 2) a contribution from the Federal Home Loan Banks through REFCORP; 3) amounts borrowed by REFCORP which is authorized to issue long term debt securities; 4) the issuance of debt obligations and guarantees as permitted by the TDP Oversight Board; and 5) income earned on the assets of the RTC, proceeds from the sale of assets, and collections made on claims received by the RTC from receiverships.

The Secretary of the Treasury has contributed capital of \$55.5 billion to the RTC as of December 31, 1992, \$18.8 billion of which was authorized by FIRREA, \$30 billion of which was authorized by the Resolution Trust Corporation Funding Act of 1991 and \$6.7 billion of which related to the December 1991 legislation (See Note 12). The December 1991 legislation authorized the Secretary of the Treasury to provide an additional \$25 billion in capital to the RTC for its operations through March 31, 1992. These funds were received in January 1992. In April 1992, the RTC returned \$18.3 billion to the Treasury which represented funds not committed by the March 31, 1992 deadline. No additional capital has been contributed since that date.

The RTC has also issued capital certificates of \$31.3 billion to REFCORP as of December 31, 1992, including \$203 thousand of certificates during 1992 and \$7.0 billion issued in 1991 (see Note 12). FIRREA prohibits the payment of dividends on any of these capital certificates. The RTC is also authorized to borrow directly from the Treasury an amount not to exceed in the aggregate \$5.0 billion. There have been no draws against these authorized borrowings through the end of 1992.

## 2. Summary of Significant Accounting Policies

*General.* These statements do not include accountability for assets and liabilities of closed thrifts for which the RTC acts as receiver/liquidating agent or of thrifts in conservatorship for which the RTC acts as managing agent.

*Allowance for Losses on Advances.* The RTC recognizes an estimated loss on advances. The allowance for losses represents the difference between amounts advanced to conservatorships or receiverships and expected repayments.

*Allowance for Losses on Subrogated Claims.* The RTC records as assets the amounts disbursed for assisting and closing thrifts, primarily the amounts for insured deposit liabilities. An allowance for losses is established against subrogated claims representing the difference between the amounts disbursed and the expected repayments. The allowance is based on the estimated cash recoveries from the assets of the assisted or failed thrifts, net of estimated asset liquidation and overhead expenses, including interest costs.

*Estimated Cost of Unresolved Cases.* The RTC has recorded the estimated losses related to thrifts in conservatorship and those identified in the regulatory process as probable to fail on or before the statutory date of September 30, 1993.

*Litigation Losses.* The RTC recognizes an estimated loss for litigation against it in its Corporate, conservatorship and receivership capacities. The RTC Legal Division recommends these estimated losses on a case-by-case basis.

*Due to Receiverships-Assets Sold.* The RTC establishes a contra asset account to record the amount payable to receiverships for the purchase price of receivership assets sold to acquiring institutions in resolution transactions. This is done in lieu of the receivership receiving the cash proceeds from the sale of its assets. This contra account offsets the balance due from the receiverships for subrogated claims. The amounts that exceed the expected recovery of subrogated claims due from the receiverships are recorded as a liability entitled "Due to receiverships." The RTC accrues interest on the total of the contra asset and liability accounts.

*Allocation of Common Expenses.* The RTC shares certain administrative operating expenses with several funds of the FDIC including the Bank Insurance Fund, the FSLIC Resolution Fund, and the Savings Association Insurance Fund. The administrative operating expenses include allocated personnel, administrative, and other overhead expenses.

*Allocation of Corporate Expenses.* The RTC recovers costs incurred by the Corporation in support of liquidation/receivership activities, including a portion of administrative expenses. These costs are billed to individual receiverships with the offsetting credits reducing the Corporation's "Administrative operating and other expenses."

*Depreciation.* The cost of furniture, fixtures, equipment and other fixed assets is expensed at the time of acquisition and is reported as "Administrative operating and other expenses." This policy is a departure from generally accepted accounting principles, however, the financial impact is not material to the RTC's financial statements.

*Cash Equivalents.* The RTC considers cash equivalents to be short-term, highly liquid investments with original maturities of three months or less. As of December 31, 1992 and 1991, the RTC did not have any cash equivalents.

*Fair Value of Financial Instruments.* The balances of financial instruments included in the RTC's Statement of Financial Position approximate their estimated fair values. The values of "Net advances" and "Net subrogated claims" are based on the discounted net cash flows expected to be received from those instruments. The frequent repricing of the balances of "Due to receiverships" and the short-term nature of "Notes Payable" result in face amounts of such instruments which approximate their fair values.

*Reclassifications.* Certain balances in the 1991 financial statements have been reclassified for comparative purposes.

### 3. Office of Inspector General

FIRREA established an Inspector General of the Corporation and authorized to be appropriated such sums as may be necessary for the operation of the Office of Inspector General (OIG). All financial transactions related to the OIG are included in the Corporation's financial statements.

The OIG has received \$74.6 million of appropriated funds from the U.S. Treasury since it was established of which \$33.5 million relate to the Government's Fiscal Year (FY) 1993 and \$30.3 million relate to FY 1992. These funds are used to finance the activities of the OIG. Restricted amounts of \$6,845,045 for FY 1992 and \$32,414 for FY 1991 are included in "Cash." These funds were unobligated at year end.

Reductions to the OIG appropriated funds resulting from obligations are recorded as "Other revenue." Accordingly, the OIG appropriated funds were reduced by \$24,274,873 and \$12,867,302 during 1992 and 1991, respectively, and recorded as "Other revenue."

Disbursements of the OIG appropriated funds for expenditures are recorded as "Administrative operating and other expenses." These disbursements totalled \$20,955,917 during 1992 and \$11,622,049 during 1991. As of December 31, 1992 and 1991, the unobligated OIG appropriation balances included in "Contributed capital" were \$36.8 million and \$27.5 million, respectively.

### 4. Net Advances (in thousands)

The RTC makes advances to receiverships and conservatorships. Advances are made to conservatorships to provide funds for liquidity needs and to reduce the cost of funds, and to receiverships to provide working capital. The advances generally are either secured by the assets of the conservatorship or receivership at the time the advances were made or have the highest priority of unsecured claims. The Corporation accrues interest on these advances which is included in the Statements of Revenues, Expenses and Accumulated Deficit. The Corporation expects repayment of these advances, including interest, before any subrogated claims are paid by receiverships. The advances carry a floating rate of interest based upon the 13-week Treasury Bill rate. Interest rates charged during 1992 ranged between 2.98% and 4.44%, and between 4.10% and 6.97% in 1991. At December 31, 1992 and 1991, the interest rates on advances were 3.54% and 4.26%, respectively.

	December 31, 1992	December 31, 1991
Advances to conservatorships	\$ 6,777,066	\$ 4,931,021
Advances to receiverships	6,379,436	13,402,648
Reimbursements due from receiverships and conservatorships	419,611	750,398
Accrued interest	38,921	326,789
Write-offs at termination-advances (Note 6 and 7)	(3,575)	0
Allowance for losses on receivership advances (Note 6)	(3,907,079)	(3,482,889)
Allowance for losses on conservatorship advances (Note 6)	(373,032)	0
	<u>\$ 9,331,348</u>	<u>\$15,927,967</u>

Reimbursements due from receiverships and conservatorships represent operating expenses paid by the RTC on behalf of the receiverships and conservatorships for which repayment is expected in full. Interest is not accrued on these reimbursements.

**5. Net Subrogated Claims (in thousands)**

Subrogated claims represent disbursements made by the RTC primarily for deposit liabilities. The Corporation recognizes an estimated loss on these subrogated claims. These estimates are based in part on a statistical sampling of receivership assets subject to a sampling error of plus or minus \$1.8 billion with a 95 percent confidence interval.

The value of assets under RTC management could be lower (or higher) than projected because general economic conditions, interest rates and real estate markets could change. Because of these uncertainties, it is reasonably possible that the actual losses may be higher (or lower) than the current "Allowance for losses on subrogated claims."

Receiverships frequently sell a portion of their assets to institutions acquiring their deposit liabilities. In lieu of the receiverships receiving cash for the sale, the purchase price of the assets sold is recorded by the receivership as a receivable and by the RTC in a contra asset account entitled "Due to receiverships - assets sold." This account is offset against subrogated claims expected to be collected from the receivership. The portion of the contra asset account, if any, in excess of expected subrogated claim recoveries is recorded as a liability entitled "Due to receiverships" (see Note 8). The RTC accrues interest payable to the receiverships on the total of the contra asset and liability accounts. The rates used by the RTC to accrue interest are based upon the Chicago FHLB Daily Investment Deposit Rates. Interest rates paid during 1992 ranged between 2.59% and 4.74%, and between 3.83% and 7.68% in 1991. At December 31, 1992 and 1991, the interest rates paid on these accounts were 2.63% and 4.70%, respectively.

	<u>December 31, 1992</u>	<u>December 31, 1991</u>
Subrogated claims	\$200,461,308	\$172,625,205
Recovery of subrogated claims	(92,855,555)	(41,568,755)
Claims of depositors pending and unpaid	19,974	50,990
Due to receiverships-assets sold	(7,520,378)	(25,503,185)
Write-offs at termination-subrogated claims (Note 6 and 7)	(352,712)	0
Allowance for losses on subrogated claims (Note 6)	(67,262,634)	(68,088,111)
	<u><b>\$ 32,490,003</b></u>	<u><b>\$ 37,516,144</b></u>

## 6. Changes in Allowance for Losses (in thousands)

	Allowance for losses on subrogated claims	Allowance for losses on advances	Allowance for losses on corp assets	Estimated cost of unresolved cases	Estimated losses from corporate litigation	TOTAL
Balance, Dec 31, 1990	\$41,208,071	\$1,402,742	\$ 0	\$55,941,445	\$158,184	\$98,710,442
Provision (reductions)	(6,779,500)	2,080,147	-	3,210,747	39,415	(1,449,191)
Reclassifications	33,659,540	-	-	(33,659,540)	-	0
Balance, Dec 31, 1991	68,088,111	3,482,889	0	25,492,652	197,599	97,261,251
Provision (reductions)	(7,663,264)	800,797	11,225	(1,443,296)	177,776	(8,116,762)
Write-offs at termination (Note 7)	(352,712)	(3,575)	-	-	-	(356,287)
Reclassifications	7,190,499	-	-	(7,190,499)	-	0
<b>Balance, Dec 31, 1992</b>	<b>\$67,262,634</b>	<b>\$4,280,111</b>	<b>\$11,225</b>	<b>\$16,858,857</b>	<b>\$375,375</b>	<b>\$88,788,202</b>

The "Allowance for losses on subrogated claims" includes future interest costs and overhead expenses. Total "reductions" in loss allowances contain the offset of net interest costs incurred in the current period that were previously included in provisions. "Reclassifications" represent amounts transferred from "Estimated cost of unresolved cases" to "Allowance for losses on subrogated claims" as a result of case resolutions.

## 7. Net Assets Purchased by the Corporation (in thousands)

During 1992, the RTC initiated a program to purchase the remaining assets of selected receiverships in order to pay a final dividend to the receiverships' creditors and to begin the process of legally terminating the receivership entities.

As of December 31, 1992, the RTC had purchased assets for \$142 million from 36 receiverships and is completing the necessary procedures to terminate the receivership entities. Assets purchased include mortgage loans backed by 1-4 family homes, multi-family dwellings or commercial real estate; consumer loans; real estate; and other assets including receivership interests in credit enhancement reserve funds created when receiverships participated in RTC loan securitizations. Upon termination, the RTC may realize a loss on advances and subrogated claims that was previously included in the respective allowances and recognized in the provision for losses in a prior year.

	December 31, 1992	December 31, 1991
Assets purchased	\$141,795	\$0
Sales, collections and adjustments	(48,265)	0
Allowance for losses on corporate assets (Note 6)	(11,225)	(0)
	<b>\$ 82,305</b>	<b>\$0</b>

## 8. Due to Receiverships

Receiverships frequently sell some of their assets to institutions acquiring their deposit liabilities. In lieu of the receiverships receiving cash for the sale, the RTC establishes a contra asset account equal to the purchase price of the assets sold and the receiverships record a receivable. This account is offset against the subrogated claims due from the receivership to the extent that the RTC expects full repayment of such claims. If a receivership's contra account exceeds the expected repayment of its subrogated claims to the RTC, the excess is recorded as "Due to receiverships." The balance of "Due to receiverships" was \$29.1 million and \$1.6 billion at December 31, 1992 and 1991, respectively.

## 9. Notes Payable and Accrued Interest

Working capital has been made available to the RTC under an agreement between the RTC and the Federal Financing Bank. The working capital is available to fund the resolution of thrifts and for use in the RTC's high-cost funds replacement and emergency liquidity programs. The outstanding notes mature at the end of each calendar quarter, at which time they are generally refinanced at similar terms. Payments on the note balance may also be made during each calendar quarter. The notes payable carry a floating rate of interest established by the Federal Financing Bank and ranged between 2.82% and 5.09% during 1992 and between 5.09% and 6.76% in 1991. As of December 31, 1992 and 1991, the RTC had \$37.5 billion and \$57.5 billion, respectively, in borrowings and accrued interest outstanding from the Federal Financing Bank. These borrowings, approved by the Oversight Board, are within the limitations imposed under FIRREA.

## 10. Estimated Cost of Unresolved Cases

The RTC has established a liability of \$16.9 billion at December 31, 1992 for the anticipated costs of resolving an additional 120 troubled institutions. Of the 120 institutions, 81 were in conservatorship as of that date. The other 39 associations were identified by the OTS as institutions for which it is probable that government assistance may be required by September 30, 1993, the last date by which the RTC may be appointed conservator.

The 1992 "Estimated cost of unresolved cases" has declined from the December 31, 1991 and 1990 estimates of \$25.5 billion and \$55.9 billion, respectively. The primary reason for this decline was the resolution of 69 cases during 1992 and 232 cases during 1991, leaving fewer unresolved cases at the end of each year.

The OTS has also identified 52 savings associations for which it is reasonably possible that government assistance may be required by September 30, 1993. The estimated cost to resolve these 52 institutions could total an additional \$2 billion.

Furthermore, the value of assets anticipated to come to the RTC could be lower (or higher) than projected because general economic conditions, interest rates, and real estate markets could change. Because of these uncertainties, it is reasonably possible that the cost of unresolved cases will be higher (or lower) than what has been estimated.



## 11. Estimated Losses from Corporate Litigation

As of December 31, 1992, the RTC has been named in several thousand lawsuits while serving in its Corporate, conservatorship or receivership capacities. Currently, it is not possible to predict the outcome for all of the various actions. An allowance for loss totalling \$375.4 million has been established as of December 31, 1992 for the 71 actions that management feels are probable to result in a significant loss (\$197.6 million at December 31, 1991 for 77 actions). Additionally, the Corporation could possibly incur further losses from other pending lawsuits and other yet unasserted claims.

## 12. Changes in Equity (in thousands)

	Contributed Capital	Capital Certificates	Accumulated Deficit	Total Equity
Balance, Dec 31, 1990	\$ 18,810,090	\$ 24,247,854	\$(100,290,153)	\$(57,232,209)
1991 Net loss	-	-	(2,450,332)	(2,450,332)
Resolution Trust Corporation Funding Act of 1991	30,000,000	-	-	30,000,000
FY 92 OIG appropriation	30,328	-	-	30,328
1991 Obligated OIG funds	(12,867)	-	-	(12,867)
Issuance of capital certificates: 01/23/91	-	7,038,268	-	7,038,268
Balance, Dec 31, 1991	48,827,551	31,286,122	(102,740,485)	(22,626,812)
1992 Net revenue	-	-	5,935,164	5,935,164
Resolution Trust Corporation Refinancing, Restructuring and Improvement Act of 1991	6,685,233	-	-	6,685,233
FY 93 OIG appropriation	33,510	-	-	33,510
1992 Obligated OIG funds	(24,275)	-	-	(24,275)
Issuance of capital certificates: 01/30/92	-	203	-	203
<b>Balance, Dec 31, 1992</b>	<b><u>\$55,522,019</u></b>	<b><u>\$31,286,325</u></b>	<b><u>\$(96,805,321)</u></b>	<b><u>\$(9,996,977)</u></b>

**13. Supplementary Information Relating to the Statement of Cash Flows  
(in thousands)**

Reconciliation of net revenue (loss) to net cash provided (used) by operating activities:

	For the Years Ended	
	December 31, 1992	December 31, 1991
Net Revenue (Loss)	\$ 5,935,164	\$ (2,450,332)
Reduction in loss allowances	(8,116,762)	(1,449,191)
Interest expense financed as additional notes payable	545,215	3,001,672
Decrease in accrued interest on notes payable	(222,398)	(437,215)
Increase in accrued interest on amounts due to receiverships	774,320	1,903,837
Decrease in accrued interest due from advances	238,115	122,351
Receipts from subrogated claims	29,655,899	17,665,488
Repayments of advances and reimbursable expenditures	14,772,701	23,064,174
Receipts from asset liquidations	53,089	0
Increase (decrease) in accounts payable, accrued liabilities and other	(7,400)	127,814
(Increase) decrease in reimbursable portion of liabilities above	39,045	(120,016)
Disbursements for advances	(11,735,557)	(18,427,996)
Disbursements for subrogated claims	(22,668,747)	(56,199,015)
Disbursements for reimbursable expenditures	(1,554,588)	(1,022,149)
OIG income recognized	(24,275)	(12,867)
Other non-cash income and expenses (net)	(22,564)	0
Decrease (increase) in other assets	798	(1,945)
<b>Net cash provided (used) by operating activities</b>	<b>\$ 7,662,055</b>	<b>\$(34,235,390)</b>

Noncash transactions incurred from thrift assistance and failures (in thousands):

■ \$7,190,499 and \$33,659,540 were reclassified from “Estimated cost of unresolved cases” to “Allowance for losses on subrogated claims” during 1992 and 1991, respectively, due to the resolution of 69 cases during 1992 and 232 cases in 1991.

■ “Due to receiverships - assets sold” decreased by \$3,661,299 and \$0 in 1992 and 1991, respectively, with offsetting decreases of \$3,611,547 and \$0 to “Advances to receiverships” and of \$49,752 and \$0 to “Accrued interest” to repay receivership advances and related interest.

■ \$545,215 and \$3,001,672 of interest expense was financed through increases in notes payable in 1992 and 1991, respectively.

■ “Recovery of subrogated claims” increased by \$21,630,902 and \$20,873,976 during 1992 and 1991, respectively, with an offsetting decrease in “Due to receiverships - assets sold”, to record liquidating dividends declared by receiverships.

■ “Subrogated claims” increased by \$5,190,331 and \$14,852,406 in 1992 and 1991, respectively, resulting from resolution activity with an offsetting increase in “Due to receiverships - assets sold.”

■ “Due to receiverships” decreased by \$1,605,088 and increased by \$443,526 in 1992 and 1991, respectively, with the offset to “Due to receiverships - assets sold” (a component of “Net subrogated claims”) for amounts exceeding the expected recovery of subrogated claims due from the receiverships.

■ “Reimbursements due from receiverships and conservatorships” decreased by \$389,551 and \$388,500 during 1992 and 1991, respectively, with an offsetting decrease to “Due to receiverships - assets sold.”

■ “Due to receiverships - assets sold” increased by \$141,795 and \$0 in 1992 and 1991, respectively, with an offsetting increase to “Net assets purchased by the Corporation” relating to the purchase of receivership assets by the Corporation.

#### 14. Related Party Transactions

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 established the RTC to manage and resolve failed savings institutions that were formerly insured by the FSLIC and for which a receiver or conservator was appointed after January 1, 1989. At December 31, 1992, there were 734 institutions with \$124.0 billion of assets for which the RTC was appointed conservator or receiver. This compares to 675 institutions with \$164.5 billion of assets at December 31, 1991.

In its fiduciary capacity as receiver or conservator, the RTC has substantial control over the operations of the institutions placed in receivership or conservatorship by the OTS. The RTC, as receiver or conservator, has ultimate authority in the day-to-day operations, including the timing and methods of the disposal of the institutions’ assets in an effort to maximize returns on such assets.

The RTC does not include the assets and liabilities of the receiverships and conservatorships in its financial statements. However, certain transactions with these institutions, including advances to and receivables from the institutions, as well as interest paid or received on such items, are included in the RTC’s financial records. At December 31, 1992, the net balances of advances and subrogated claims were \$9.3 billion and \$32.5 billion (net of “Due to receiverships - assets sold” of \$7.5 billion), respectively. The RTC owed \$7.5 billion to receiverships, including the liability account of \$29 million, at December 31, 1992 resulting from resolution transactions (see notes 5 and 8). Interest income earned on advances and subrogated claims was \$0.5 billion during the year ended December 31, 1992 and interest expense on amounts due receiverships was \$0.8 billion.

At December 31, 1991, the net balances of advances and subrogated claims were \$15.9 billion and \$37.5 billion (net of “Due to receiverships - assets sold” of \$25.5 billion), respectively. Total amounts due receiverships were \$27.1 billion, including the liability account of \$1.6 billion. Interest income on advances and subrogated claims was \$1.5 billion during the year ended December 31, 1991 and interest expense on amounts due receiverships was \$1.9 billion.

The RTC funds the activities of the TDP Oversight Board based on its fiscal year budgets. The amounts funded in 1992 and 1991 were \$5.0 million and \$6.1 million, respectively. These amounts are subject to the Corporation’s policy of allocating corporate expenses to the receiverships.

“Administrative operating and other expenses” for the Corporation were \$54.2 million and \$30.0 million for the years ended December 31, 1992 and 1991, respectively (total costs of \$970.9 million and \$734.3 million less \$916.7 million and \$704.3 million billed back to receiverships during 1992 and 1991, respectively).

## 15. Commitments and Guarantees

### Securitization Credit Reserves:

In 1992, the RTC sold through its securitization program \$22.6 billion of receivership, conservatorship and Corporate loans (\$10.2 billion during 1991). The loans sold were secured by various types of real estate including 1-4 family homes, multi-family dwellings and commercial real estate. Each securitization transaction is accomplished through the creation of a trust, which purchases the loans to be securitized from one or more institutions for which the Corporation acts as a receiver or conservator or purchases loans owned by the Corporation. The loans in each trust are pooled and stratified and the resulting cash flow is directed into a number of different classes of pass-through certificates. The regular pass-through certificates are sold to the public through licensed brokerage houses. RTC and its receiverships and conservatorships retain residual pass-through certificates which are entitled to any remaining cash flows from the trust after obligations to regular pass-through holders have been met.

To increase the likelihood of full and timely distributions of interest and principal to the holders of the regular pass-through certificates, and thus the marketability of such certificates, a portion of the proceeds from the sale of the certificates is placed in credit enhancement reserve funds (reserve funds) to cover future credit losses with respect to the loans underlying the certificates. The reserve funds' structure limits the receiverships', conservatorships' or Corporation's exposure from credit losses on loans sold through the RTC securitization program to the balance of the reserve funds. The initial balances of the reserve funds are determined by independent rating agencies and are subsequently reduced for claims paid. Through December 1992, the amount of claims paid is less than 1% of the reserve balances. At December 31, 1992 and 1991, reserve funds related to the RTC securitization program totalled \$6.2 billion and \$2.0 billion, respectively. Of the total reserve funds, \$4.5 billion relate to receivership reserves (\$1.5 billion for 1991), \$1.6 billion relate to conservatorship reserves (\$0.5 billion for 1991), and \$20 million relate to Corporate reserves (\$0 for 1991). RTC management expects to recover a substantial portion of the reserve funds over time. The RTC estimates Corporate losses related to the receiverships' reserve funds as part of the RTC's allowances for losses. Additionally, the RTC estimates Corporate losses related to conservatorships' reserve funds as part of the RTC's "Estimated cost of unresolved cases." As of December 31, 1992, the RTC included \$1.3 billion in these provisions to cover estimated losses on the reserve funds (\$0.3 billion as of December 31, 1991).

### Representations and Warranties:

The RTC provides certain representations and warranties on loans sold through the securitization program. Funds have been placed in escrow by the receiverships and conservatorships participating in the securitization transactions to honor obligations that may arise from the representations and warranties. The Corporation has also established a liability for the estimate of representation and warranty claims associated with the securitization transactions that involved corporate purchased assets.

The RTC has provided guarantees, representations and warranties on approximately \$39 billion in unpaid principal of loans sold for cash or exchanged for mortgaged-backed securities. The RTC also has provided guarantees, representations and warranties on approximately \$129 billion of loans under servicing right contracts which have been sold. The representations and warranties made in connection with the sale of servicing rights are limited to the responsibilities of acting as a servicer of loans. Where there are corporate guarantees, institutions have established escrow fund accounts containing a portion of the sales proceeds to honor any obligations that might arise from the guarantees, representations and warranties.

The RTC estimates Corporate losses related to the receiverships' representation and warranty claims as part of the RTC's allowances for losses. Additionally, the RTC estimates Corporate losses related to the conservatorships' representation and warranty claims as part of the RTC's "Estimated cost of unresolved cases." As of December 31, 1992, the RTC included \$1.5 billion in these provisions to cover the estimated costs of representation and warranty claims (\$0.2 billion as of December 31, 1991).

**Letters of Credit:**

The RTC has adopted special policies for outstanding RTC conservatorship and receivership collateralized letters of credit. These policies enable the RTC to minimize the impact of its actions on capital markets. In most cases, these letters of credit are used to guarantee tax exempt bonds issued by state and local housing authorities or other public agencies to finance housing projects for low and moderate income individuals or families. As of December 31, 1992, the RTC has issued a commitment to honor approximately \$4.6 billion of these letters of credit. The total amount that will ultimately be paid, the fair value of such letters of credit, and the losses resulting from these letters of credit are not reasonably estimable at December 31, 1992.

**Affordable Housing Program:**

As part of its Affordable Housing Program, RTC management has committed to expend up to \$6 million to pay reasonable and customary commitment fees to various state and local housing authorities who will, in turn, assist in providing financing to low and moderate income families. Under this program, the RTC works with state and local housing finance agencies to secure commitments of Mortgage Revenue Bond and Mortgage Credit Certificate funds which will be lent to qualifying families to enable them to purchase properties from the RTC. At December 31, 1992, \$2.1 million remains unexpended. No substantial recoveries are anticipated from the program.

**Rental Expense:**

The RTC is currently leasing office space at several locations to accommodate its staff. As of December 31, 1992, these offices include: (1) the Washington, D.C., Headquarter offices, (2) the six megasite offices, and (3) the seven satellite offices located throughout the country. Two additional satellite offices have closed as of December 1992 and the RTC remains obligated for the remainder of their lease terms pending negotiations for lease buyouts or subleases. These obligations total \$5.2 million. In addition, the Tampa, Baton Rouge, Phoenix, and San Antonio offices have closed during the beginning of 1993 and their collective obligations for leases total \$8.5 million. The RTC's rental expense for 1992 and 1991 totalled \$44.8 million and \$41.1 million, respectively. The RTC's total contractual obligations under lease agreements for office space are approximately \$170.5 million. These agreements often contain escalation clauses which can result in adjustments to rental fees for future years. The minimum yearly rental expense for all locations is as follows (in thousands):

<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998/Thereafter</u>
\$ 44,254	\$ 36,771	\$ 31,596	\$ 18,275	\$ 6,616	\$ 32,989

Lease obligations for 1997 and beyond are exclusively for the RTC headquarters building in Washington, D.C. This lease was entered into by the now defunct FSLIC in 1987. At the date of RTC's termination, which under current law shall not be later than December 31, 1996, all of the RTC's debts, obligations and assets, including the above lease obligations, shall be transferred to the FSLIC Resolution Fund which is managed by the FDIC.

**16. Pension Plan and Accrued Annual Leave**

The FDIC eligible employees assigned to the RTC are covered by the Civil Service Retirement System and the Federal Employees Retirement System. Employer contributions provided by the RTC for all eligible employees for the years ended December 31, 1992 and 1991 were approximately \$16.9 million and \$12.4 million, respectively.

Although the RTC contributes a portion of pension benefits for eligible employees and makes the necessary payroll withholdings from them, the RTC does not account for the assets of either of these retirement funds and does not have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to its eligible employees. These amounts are reported by the U.S. Office of Personnel Management (OPM)

and are not allocated to the individual employers. OPM also accounts for Federal health and life insurance programs for those RTC retired eligible employees who had selected Federal government sponsored plans.

The RTC's liability to employees for accrued annual leave was approximately \$20.0 million at December 31, 1992, and \$17.0 million at December 31, 1991.

**17. Health, Dental and Life Insurance Plans for Retirees**

The RTC, through its association with the FDIC, provides certain health, dental and life insurance coverage for its eligible retirees, the retirees' beneficiaries and covered dependents. Eligible retirees are those who have elected the FDIC's health and/or life insurance programs and are entitled to an immediate annuity (dental coverage is automatic at retirement). The health insurance coverage is a comprehensive fee-for-service program, with hospital coverage and a major medical wraparound.

Corporate contributions for retirees are the same as those for active employees. Premiums are paid to the FDIC, where they are held until plan fixed costs and expenses are paid. The life insurance program provides for basic coverage at no cost and allows converting optional coverages to direct-pay plans. The cost of providing this benefit is not separable from the cost of providing benefits for active employees, as the charge for retirees is built into rates for active employees.

The RTC adopted Financial Accounting Standard No. 106 (FAS 106), Employer's Accounting for Postretirement Benefits Other than Pensions, as of January 1, 1992. FAS 106 requires the accrual method of accounting for postretirement health and life insurance costs. These costs are generally recognized over the period from the date of hire to the full eligibility date of employees who are expected to qualify for such benefits. This is a significant change from the RTC's previous policy of recognizing these costs in the year in which the benefits are provided.

The RTC elected to immediately recognize the accumulated postretirement benefit liability measured as of January 1, 1992. The accumulated liability, known as the transition obligation, represents that portion of future retiree benefit costs related to service rendered by both active and retired employees prior to the date of adoption. During 1992, the RTC recorded charges of \$18.1 million for the transition liability and \$11 million for the current periodic cost, which have been reflected in the "Administrative operating and other expense" line of the Statements of Revenues, Expenses and Accumulated Deficit.

The net periodic postretirement benefit cost for 1992 included the following components (in millions):

Service cost, benefits attributed to employee service during the year	\$6.8
Interest cost on accumulated postretirement benefit obligations	4.2
<b>Net periodic postretirement benefit cost</b>	<b><u>11.0</u></b>

The RTC, as a government corporation scheduled under current law to terminate on or before December 31, 1996, decided, in conjunction with the FDIC, that the liability for postretirement benefits for eligible employees assigned to the RTC will be recorded on the books of the FDIC. The RTC will pay the FDIC an amount equal to the RTC's transition obligation plus the RTC's 1992 net periodic postretirement cost. In return, the FDIC agrees to pay the costs associated with postretirement benefits due to eligible employees assigned to the RTC upon their retirement. As of December 31, 1992, the RTC has included as a current liability on its Statement of Financial Position an amount equal to the RTC's transition obligation plus the RTC's net periodic postretirement cost. The RTC expects to pay this liability to the FDIC during 1993.

The discount rate used in the calculation of the postretirement benefit obligation was 7.0%. The assumed medical inflation trend in 1992 was 16.5%, decreasing to an ultimate rate of 9.0% in 1998 and remaining at that level thereafter. The dental cost trend rate in 1992 and thereafter was 8.0%. Both the assumed discount rate and health care cost trend rates have a significant effect on the amount of the obligation and periodic cost reported.

If the health care cost trend rate was increased one percent, the accumulated postretirement benefit obligation as of December 31, 1992 would have increased \$6.6 million, or 22.8%. The effect of this change would have increased aggregate 1992 service and interest costs by \$2.9 million, or 26.1%.

## **18. Concentration of Credit Risk**

The RTC has receivables from conservatorships and receiverships located throughout the United States which are experiencing problems with both loans and real estate. Their ability to make repayments to the RTC is largely influenced by the economy of the area in which they are located. The gross balance of these receivables at December 31, 1992 is \$121.2 billion (against which \$79.4 billion of reserves and contra assets have been recorded). Of this total, \$31.1 billion is attributable to institutions located in Texas, \$15.3 billion is attributable to institutions located in California, \$9.5 billion is attributable to institutions located in Florida and \$7.6 billion is attributable to institutions located in Arizona.



United States  
General Accounting Office  
Washington, D.C. 20548

Comptroller General  
of the United States

B-240108

June 30, 1993

To the Thrift Depositor Protection Oversight Board  
Resolution Trust Corporation

In our audits of the Resolution Trust Corporation for the years ended December 31, 1992 and 1991, we found

- The Corporation's statements of financial position as of December 31, 1992 and 1991, the statements of cash flows for the years then ended, and the statement of revenues, expenses and accumulated deficit for the year ended December 31, 1992, to be reliable in all material respects. We do not express an opinion on the statement of revenues, expenses and accumulated deficit for the year ended December 31, 1991.
- Internal controls as of December 31, 1992, to be effective in protecting assets and in assuring that transactions are executed in accordance with management's authority and materially comply with significant provisions of selected laws and regulations but not effective in assuring that there were no material misstatements in the financial statements.
- No material noncompliance with laws and regulations we tested.

Discussed in the following section are significant matters considered in performing our audits and forming our opinions. This report also outlines each of our conclusions in more detail and discusses the scope of our audits.

#### SIGNIFICANT MATTERS

The following information is provided to highlight uncertainties that could affect the Corporation's loss estimates, to discuss the effect that recent higher-than-expected recoveries from asset sales have had on future funding needs, and to explain other matters.



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Uncertainties Affect Estimated Recoveries From Receiverships and Costs of Future Resolutions

Although the Corporation has produced its estimates of the recovery value of receivership assets from the best available information, significant uncertainties still exist regarding general economic conditions, interest rates, and real estate markets that could affect the value of assets in resolved and unresolved institutions. As of March 31, 1993, the Corporation's receiverships and conservatorships held \$91 billion in assets of which more than 40 percent were delinquent loans, real estate owned, and investments in the subsidiaries of failed institutions. Because these assets are considered among its hard-to-sell assets, it is difficult for the Corporation to predict the recovery value and timing of sales. If assets sell later or for less than predicted, the Corporation's costs will be higher than estimated. Conversely, higher or earlier recoveries will lower the Corporation's final costs.

As discussed in footnote 15, the Corporation has established reserve funds for securitization transactions to cover future credit losses on the underlying loans.<sup>1</sup> The Corporation and its receiverships also provide representations and warranties on the unpaid principal balance of certain loans sold for cash, sold as part of securitization transactions, exchanged for mortgage-backed securities, or sold under servicing right contracts.<sup>2</sup> As of December 31, 1992, the Corporation's loss allowances for resolved and unresolved institutions included \$1.3 billion for the expected cost of future securitization credit losses and \$1.5 billion for claims arising from the representations and warranties. We found these reserve amounts to be reasonable, based on the best available information.

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<sup>1</sup>Securitization refers to the practice of grouping assets (usually performing mortgage loans) and selling securities backed by the underlying future cash flows of those assets. Purchasers of the securities demand some protection against credit losses which may occur due to defaults and delinquencies on the underlying loans.

<sup>2</sup>These contracts convey the right to service mortgages, which includes collecting loan payments and controlling mortgage escrow funds.

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However, we caution that the Corporation's claims experience to date has been very limited and cannot be relied upon to predict the nature or amount of future losses. These future losses will be affected by the behavior of the economy, interest rates, and real estate markets as well as the performance of the collateral underlying the transactions. Changes in these factors, which are beyond the Corporation's control, could result in either higher or lower credit and claims losses than currently estimated.

Higher Asset Sales Recoveries  
Could Reduce Future Funding Needs

The Corporation provided us with draft financial statements on March 31, 1993, showing that \$84.4 billion of loss funds had been used to resolve the 653 institutions closed as of December 31, 1992. Those statements also showed that an additional \$17 billion in loss funds would be needed to complete the resolution of 81 institutions in conservatorship, 39 institutions considered probable failures on or before September 30, 1993, and 52 institutions considered possible failures before the Corporation's resolution responsibility ends on September 30, 1993. However, the Corporation's cost estimates were not based on its most recent sales experience. Due to improved economic conditions, the Corporation's receiverships have realized higher rates of recovery on their asset sales than previously estimated. The Corporation was accounting for these higher recoveries in an unallocated reserve of \$7 billion to cover unanticipated future losses or estimation errors. We agreed with the Corporation that a minimum of \$2 billion should remain in unallocated reserves for unforeseen problems or errors until the audit was completed. The Corporation and its Oversight Board decided in April 1993, to release \$3 billion of the \$7 billion in unallocated reserves and make the funds available to resolve selected institutions in conservatorship.

The Corporation's final financial statements no longer contain any unallocated reserves; instead, reserve and loss accounts have been adjusted to reflect the best current estimates of probable future losses resulting from its resolution activities. The Corporation's audited financial statements report the cost of closed institutions at \$79.5 billion, which could allow another \$1.9 billion to be used for future

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resolutions, subject to appropriation restrictions,<sup>3</sup> and could decrease its estimated future funding needs to \$12 billion. This decrease of \$5 billion in expected future funding needs is the result of improved economic conditions, particularly lower interest rates, over the past 2 years; however, if conditions should worsen, the Corporation may need to increase its loss estimates. If conditions continue to improve, the need for additional loss funds could be less than presently estimated.

Weaknesses in Contractor Oversight  
Could Result in Reduced Recoveries

The Corporation's statements of cash flows report the cash that the Corporation has actually received and disbursed. However, due to weaknesses in its oversight of certain loan servicers and other contractors, the Corporation cannot be sure that it is recovering all it should from its receiverships. In April 1992, we reported that the Corporation cannot ensure that all of its loan servicers are accurately accounting for and remitting loan payments.<sup>4</sup> In October 1992, we identified weaknesses in the cash management practices of property management subcontractors that could make the Corporation's funds vulnerable to loss from unauthorized use.<sup>5</sup> We also identified a policy that has resulted in forgone interest income of hundreds of thousands of dollars annually. Lost revenues to receiverships mean lower recoveries for the Corporation.

In response to reported weaknesses, the Corporation's Oversight Board has pledged to strengthen contracting systems and contractor oversight as part of its 10 point reform

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<sup>3</sup>The \$25 billion in loss funds provided in the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991, in contrast to loss funds provided by prior Acts, was available for obligation only until April 1, 1992. Thus, any amount previously obligated against this appropriation that becomes available due to a reduced loss may only be used if the Corporation identifies an increased loss for another resolution properly chargeable against this appropriation.

<sup>4</sup>Resolution Trust Corporation: Oversight of Certain Loan Servicers Needs Improvement (GAO/GGD-92-76, April 24, 1992).

<sup>5</sup>Resolution Trust Corporation: Subcontractor Cash Management Practices Violate Policy and Reduce Income (GAO/GGD-93-7, October 20, 1992).

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agenda.<sup>6</sup> The Oversight Board's specific objectives are to require adequate planning of contracts, ensure adherence to contracting policies and procedures, increase contractor oversight, and ensure that management's span of control over contractors is adequate to protect the Corporation's interests. In conjunction with these initiatives, the Corporation recently announced that it will increase the size of its contract surveillance unit by an additional 150 accountants, investigators, and other staff.

Disclaimer Given on the 1991 Statement of Revenues, Expenses and Accumulated Deficit

Because we did not express an opinion on the Corporation's statement of financial position as of December 31, 1990, we cannot express an opinion on the Corporation's statement of revenues, expenses and accumulated deficit for the year ended December 31, 1991.

MATERIAL INTERNAL CONTROL WEAKNESS

During our 1992 audit, we identified a material weakness<sup>7</sup> in the Corporation's internal control structure related to the Corporation's calculation of its allowance for loss. Through substantive test procedures, we were able to satisfy ourselves that audit adjustments corrected the effect of this weakness on the Corporation's 1992 financial statements.

Lack of Control Procedures Resulted in Undetected Error

In its draft financial statements, the Corporation understated a component of its loss allowance calculation for subrogated claims (paid claims of the depositors of failed institutions)

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<sup>6</sup>On March 16, 1993, the Chairman of the Thrift Depositor Protection Oversight Board announced a program of 10 administrative initiatives to strengthen the Corporation's management in the areas of planning, financial management and controls, operations, and public policy.

<sup>7</sup>A material weakness is a reportable condition in which the design or operation of the internal controls does not reduce to a relatively low level the risk that losses, noncompliance, or misstatements in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of their assigned duties.

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by \$1.5 billion. Although the Corporation's management reviewed the overall calculation for the loss allowance estimates, no procedures were in place to review certain computer-generated data used in the calculation and, as a result, an error in the data went undetected. The Corporation made the proposed audit adjustment to its final December 31, 1992, allowance for loss on subrogated claims and has acted to prevent such data errors from occurring in future calculations. Our internal control report, which we expect to issue soon, provides more detail on this weakness and other reportable conditions briefly discussed in a later section.

#### OPINION ON FINANCIAL STATEMENTS

The financial statements and accompanying notes present fairly, in accordance with generally accepted accounting principles, the Corporation's

- assets, liabilities and equity as of December 31, 1992 and 1991,
- revenues, expenses and accumulated deficit for the year ending December 31, 1992, and
- cash flows for the years ending December 31, 1992 and 1991.

As discussed in the Significant Matters section, we do not express an opinion on the statement of revenues, expenses and accumulated deficit for the year ending December 31, 1991.

Misstatements may have occurred in other financial information reported by the Corporation as a result of the material internal control weakness described above. In addition, significant uncertainties discussed earlier in this report and in footnotes 5 and 10 to the financial statements, may ultimately result in higher or lower resolution costs than projected in these statements. Also, factors beyond the Corporation's control could result in higher or lower credit and claims losses than currently estimated for certain sales transactions.

#### OPINION ON INTERNAL CONTROLS

The internal controls we evaluated were those designed to

- safeguard assets against loss from unauthorized use or disposition;

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- assure the execution of transactions in accordance with management's authority and with laws and regulations; and
- properly record, process, and summarize transactions to permit the preparation of financial statements in accordance with generally accepted accounting principles and to maintain accountability for assets.

Because of the material weakness in internal controls described previously, internal controls did not provide reasonable assurance that the Corporation properly recorded, processed, and summarized transactions. However, controls in effect on December 31, 1992, provided reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authority and with significant provisions of selected laws and regulations.

#### REPORTABLE CONDITIONS

We also identified the following reportable conditions which, although not considered to be material, represent significant deficiencies in the design or operation of the Corporation's internal controls and should be corrected.

1. The Corporation used information from the wrong data base system to calculate its loss accrual for claims arising from representations and warranties that are offered with the sale of loans and servicing rights. As a result, the Corporation needed to make an adjustment of nearly \$500 million to reflect the correct reserve amount for representations and warranties losses. By using the data base that tracks the funding status of reserves rather than the required amount of reserves, the Corporation ignores the fact that reserves can be, and often are, under- or overfunded.
2. The Corporation's contractor estimated recovery values for receivership assets without adequate supporting file documentation. (The most common missing item was a recent appraisal.) Based on our test results, we found it likely that 13 percent of the Corporation's assets do not have the key file documents necessary to support a particular recovery value. Missing data increases the risk that the Corporation's estimated recovery rates will be materially under- or overstated.

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3. The Corporation's contractor did not consider all available file documentation or information in estimating receivership asset recoveries and made errors in recording valuation information. Based on the results of our testing, we found it likely that 20 percent of contractor valued assets had these problems. As a result, assigned recovery rates could be lower or higher than if all available information is considered or all data transcribed correctly.
4. During 1992, 9 of the Corporation's 13 field offices did not perform the required reconciliation of checks received and processed. In addition, most of these 9 field offices could not provide sufficient documentation to enable us to complete the needed reconciliations. Without adequate controls over check receipts, the Corporation may not detect checks withheld from deposit, lost, stolen, or improperly released to third parties.
5. The Corporation's field offices did not post wire disbursements to the correct general ledger accounts. Based on the results of our tests, we estimate that approximately 11 percent of all wire disbursements to third parties contained at least one account posting error. If such a high error rate continues in its field offices, the Corporation faces the risk that future financial reports could be inaccurate.
6. The Corporation did not identify the material weakness or all of the reportable conditions described above in its 1992 statement on the effectiveness of its internal accounting and administrative controls prepared under the Chief Financial Officers Act of 1990. This occurred because the Corporation's assessment focused more on operating controls than on financial reporting controls. However, without more emphasis on reporting controls, the Corporation may fail to identify serious weaknesses in the future.
7. The Corporation processed its financial information on the Federal Deposit Insurance Corporation's (FDIC) general ledger system during the first 8 months of 1992. FDIC's inadequate controls over access to its electronic data processing center and systems software were reported as a significant deficiency in our report on FDIC's 1992 financial statements (GAO/AIMD-93-5, June 30, 1993). The lack of adequate security controls exposed the data center to unauthorized entry and exposed software and data to use by unauthorized personnel.

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We also noted other less significant matters involving the system of internal accounting control and its operation for which we will be submitting a separate report to Corporation management.

#### COMPLIANCE WITH LAWS AND REGULATIONS

Our tests for compliance with significant provisions of selected laws and regulations disclosed no material instances of noncompliance. Also, nothing came to our attention in the course of our other work to indicate that material noncompliance with such provisions occurred.

#### OBJECTIVES, SCOPE, AND METHODOLOGY

The Corporation's management is responsible for

- preparing annual financial statements in conformity with generally accepted accounting principles;
- establishing and maintaining internal controls and systems to provide reasonable assurance that the internal control objectives previously mentioned are met; and
- complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the financial statements are reliable (free of material misstatement and presented fairly in conformity with generally accepted accounting principles) and (2) relevant internal controls are in place and operating effectively. We are also responsible for testing compliance with significant provisions of selected laws and regulations.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the financial statements;
- evaluated and tested relevant internal controls over the following significant cycles, classes of transactions, and account balances:



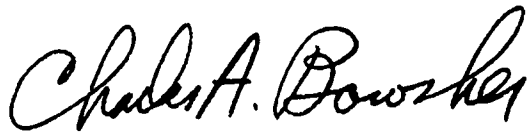
B-240108

- resolved institutions, consisting of policies and procedures related to (1) resolution activities, (2) receipts and disbursements in receiverships, and (3) valuation of the Corporation's net receivables from resolution transactions and assistance;
- unresolved institutions, consisting of policies and procedures related to identifying and estimating the cost of future resolutions and of providing advances to institutions in conservatorship;
- Federal Financing Bank borrowings, consisting of policies and procedures related to the borrowing, use, and repayment of working capital;
- treasury, consisting of policies and procedures related to Corporate cash receipts and disbursement; and
- financial reporting, consisting of policies and procedures related to the processing of journal entries into the general ledger and the preparation of financial statements; and
- tested compliance with selected provisions of the following laws and regulations:
  - Section 21A of the Federal Home Loan Bank Act (12 U.S.C. 1441a).
  - Chief Financial Officers Act of 1990 (Public Law 101-576).

We limited our work to accounting and other controls necessary to achieve the objectives outlined in our opinion on internal controls. Because of inherent limitations in any system of internal control, losses, noncompliance or misstatements may nevertheless occur and not be detected. We also caution that projecting to future periods our favorable evaluation of controls related to the safeguarding of assets and the execution of transactions in accordance with management's authority and in compliance with laws and regulations is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

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We conducted our audits in accordance with generally accepted government auditing standards. We believe that our audits provide a reasonable basis for our opinions.



Charles A. Bowsher  
Comptroller General  
of the United States

June 8, 1993

# 1992 Management Report On Internal Controls

## *Corporate Policy and Commitment*

Since its inception, the Corporation has made significant progress in developing and implementing a sound internal control system designed to ensure accountability and to reduce the potential for loss, waste, or misappropriation. In 1992, the RTC took several steps to strengthen controls throughout the agency and to implement initiatives that had been developed in 1991.

The Corporation's management has made the establishment and maintenance of a sound system of internal controls a high priority. The nature of much of the RTC's work is inherently risky and complex, and therefore requires a workable and comprehensive internal control system that includes annual reviews of both field and headquarters operations. The RTC has responded to this need by developing an agency-wide system, and by clearly assigning responsibility for maintaining controls along organizational lines.

## *Risk Factors*

There are risks associated with the management and sale of the large volume and wide variety of assets under RTC control. Other factors — such as the timeliness and availability of funding required to resolve failed institutions, the state of the overall economy, interest rate fluctuations, and regulatory and legislative policies — greatly influence operations and affect the length of time an asset remains under the RTC's control, therefore contributing to the potential for loss, waste, or misappropriation. Three of the Corporation's particularly high-risk areas are: real estate disposition planning and execution; asset disposition-related contract planning, and contractor management and oversight; and, information systems that support asset management and sales activity.

## *Management Control Review Process*

In 1992, the Corporation implemented the management control and review process designed to evaluate the Corporation's internal controls and, where necessary, improve their effectiveness. During the year, the RTC issued the corporate policy directive on the internal control and review process. The Corporation also restructured its inventory of assessable units to better reflect program operations; vulnerability assessments were completed and risk levels were established for each of the units.

An early warning reporting system was put into effect to alert senior management to emerging problems associated with internal controls. A management information system was created to catalogue, monitor, and report on the implementation of corrective actions taken by the Corporation to resolve internal control deficiencies. Formal internal reviews and audits were also scheduled and conducted throughout the year.

***Performance***

In 1992, RTC program managers conducted 87 reviews covering most aspects of field office operations. These internal reviews were effective in evaluating the adequacy of internal controls for the administrative and accounting functions, as well as compliance with RTC policies and procedures, and for uncovering operational weaknesses. The reviews also helped measure the effectiveness of corrective actions already taken to strengthen controls. In response to these reviews, corrective action plans were developed to rectify deficiencies; many of the plans were implemented by yearend.

The General Accounting Office (GAO) and the RTC's Office of Inspector General performed a total of 79 audits and reviews during the year. The audits were performed, in part, to evaluate the effectiveness and adequacy of internal administrative and accounting controls over the Corporation's activities and business operations. The GAO, in its "Resolution Trust Corporation Management Report," dated June 30, 1992, concluded that the RTC's financial statements presented fairly, in all material respects, the financial position of the RTC as of December 31, 1991. The GAO also reported favorably on the RTC's internal control structure and on its compliance with laws and regulations.

***Assurance***

In 1992, the RTC identified the program areas considered most vulnerable to risk. A new management control plan was developed to ensure that all program areas are reviewed regularly, with a particular emphasis on high-risk areas. During the year, the Corporation also established the appropriate management infrastructure, including assignment of responsibilities, for maintaining a strong internal control system. The numerous reviews conducted during the year were successful in identifying weaknesses, and specific corrective actions have been initiated, and in many cases, completed, by the affected managers. As a result of its efforts in 1992, the Corporation has substantially improved the effectiveness of its internal control systems and procedures.

# STATISTICS

# RTC Conservatorships

## January 1, 1992 through December 31, 1992

STATE	ASSOCIATIONS IN CONSERVATORSHIP DECEMBER 31, 1991	ASSOCIATIONS PLACED INTO CONSERVATORSHIP JANUARY 1, 1992 – DECEMBER 31, 1992	CONSERVATORSHIP RESOLUTIONS JANUARY 1, 1992 – DECEMBER 31, 1992				ASSOCIATIONS IN CONSERVATORSHIP DECEMBER 31, 1992
			P&A	IDT	PAYOFF	TOTAL	
ALABAMA	2	2	1			1	3
ARIZONA	1			1		1	0
ARKANSAS	1		1			1	0
CALIFORNIA	10	5	5			5	10
CONNECTICUT	3	1	3			3	1
FLORIDA	10	4	4			4	10
GEORGIA	5	2	4			4	3
ILLINOIS	3	3	4			4	2
INDIANA	1		1			1	0
IOWA	3		2			2	1
KANSAS	1	1				0	2
LOUISIANA	2	1				0	3
MAINE	0	1				0	1
MARYLAND	3	4	2			2	5
MASSACHUSETTS	1	1				0	2
MICHIGAN	2		1			1	1
MISSISSIPPI	0	1				0	1
MISSOURI	2		2			2	0
NEW HAMPSHIRE	1					0	1
NEW JERSEY	6	5	3			3	8
NEW MEXICO	1		1			1	0
NEW YORK	3	1	3			3	1
NORTH CAROLINA	2	1	1			1	2
OHIO	1	2	1			1	2
OKLAHOMA	4		3			3	1
OREGON	1					0	1
PENNSYLVANIA	5	4	2			2	7
RHODE ISLAND	1				1	1	0
SOUTH CAROLINA	1	3				0	4
TENNESSEE	1	1	1			1	1
TEXAS	7		5		2	7	0
UTAH	1			1		1	0
VIRGINIA	4	6	3		1	4	6
WEST VIRGINIA	1	1				0	2
WISCONSIN	1		1			1	0
<b>TOTAL</b>	<b>91</b>	<b>50</b>	<b>54</b>	<b>2</b>	<b>4</b>	<b>60*</b>	<b>81</b>

\* Does not include 9 institutions resolved under the Accelerated Resolutions Program in 1992.

# New RTC Conservatorships

## January 1, 1992 through December 31, 1992

(dollars in thousands)

Date of Conservatorship	Name of Institution and Location	Gross Assets	Total Liabilities	Total Deposits	Number of Deposit Accounts
10-Jan	Hansen FSB, Palm Beach Gardens, FL	\$ 52,843	\$ 50,408	\$ 43,441	2,574
10-Jan	Hansen FSA, Hammonton, NJ	581,550	547,888	426,571	46,685
24-Jan	Advanced FSB, Northridge, CA	23,353	24,106	23,557	1,572
31-Jan	Security FSA, Panama City, FL	108,931	104,288	100,444	9,275
28-Feb	Lemont FSA, Lemont, IL	200,874	194,560	187,057	12,940
28-Feb	Irvington FSB, Baltimore, MD	46,212	43,434	42,661	7,435
28-Feb	Alpha Indian Rock FS&LA, Philadelphia, PA	7,651	7,806	7,615	996
28-Feb	Vista FSA, Reston, VA	117,052	117,286	108,439	8,023
12-Mar	Ukrainian FS&LA, Philadelphia, PA	82,870	75,109	72,106	7,880
13-Mar	Carrollton Homestead Assn, FA, New Orleans, LA	36,864	35,535	32,260	1,907
03-Apr	Commonwealth FSB, Manassas, VA	74,378	76,453	64,211	7,803
10-Apr	Federal SA of Virginia, Falls Church, VA	32,648	31,743	29,564	1,207
24-Apr	First South FSB, Columbia, SC	57,988	56,203	48,459	2,920
08-May	Shenandoah FSA, Martinsburg, WV	98,220	95,174	68,074	13,481
21-May	First FSA, Lewiston, ME	86,987	83,455	76,093	10,124
04-Jun	Home Unity FS&LA, Lafayette Hill, PA	700,343	701,780	630,305	98,754
05-Jun	Republic FSB, Matteson, IL	295,696	273,076	262,826	28,656
05-Jun	First American FSB, Greensboro, NC	817,607	812,735	639,074	93,532
05-Jun	Volunteer FSA, Little Ferry, NJ	52,114	50,979	49,370	6,822
05-Jun	Cooper River FSA, North Charleston, SC	233,201	228,115	200,550	29,308
12-Jun	San Clemente FSB, San Clemente, CA	223,452	215,092	205,745	9,857
12-Jun	Columbia Banking FSA, Rochester, NY	1,373,649	1,313,715	1,073,441	167,209
12-Jun	Cherokee Valley FSA, Cleveland, TN	145,175	140,171	123,807	24,005
19-Jun	First Newport FSB, Newport Beach, CA	36,920	35,075	34,355	911
19-Jun	Coastal FSB, New London, CT	242,929	234,989	222,671	35,364
19-Jun	First Home FSA, Pittsburgh, PA	134,461	130,130	127,527	20,570
26-Jun	Jacksonville FSA, Jacksonville, FL	160,504	147,802	146,896	10,496
06-Jul	HomeFed Bank, FA, San Diego, CA	12,760,385	12,344,563	8,798,172	775,670
10-Jul	Southern FSA of Georgia, Atlanta, GA	166,639	159,645	150,349	11,048
10-Jul	Transohio FSB, Cleveland, OH	3,415,412	3,386,001	2,392,364	403,868
10-Jul	Home FSB, Norfolk, VA	233,412	224,884	194,315	12,857
17-Jul	New England FSA, Wellesley, MA	141,270	136,014	117,816	3,959
17-Jul	Liberty FSB, Warrenton, VA	95,466	93,319	86,107	11,878
24-Jul	First FS&LA of Russell County, FA, Phenix City, AL	90,429	85,695	79,449	14,873
07-Aug	Citadel FS&LA, Charleston, SC	39,693	38,698	37,571	1,672
21-Aug	Birmingham FSB, Birmingham, AL	92,612	91,277	81,717	8,454
28-Aug	Potomac FSB, Silver Spring, MD	74,600	71,830	67,678	4,124
09-Oct	Piedmont FSA, Manassas, VA	470,966	443,996	369,774	34,342
16-Oct	Security FS&LA, Jackson, MS	292,407	276,646	247,242	27,841
21-Oct	Standard FSA, Gaithersburg, MD	1,732,719	1,716,343	857,655	153,120
30-Oct	Homestead FSA, San Francisco, CA	1,344,197	1,265,017	1,225,317	260,254
06-Nov	First FSB of Georgia, FA, Winder, GA	111,406	108,266	96,930	13,644
13-Nov	The Overland Park FS&LA, Overland Park, KS	212,577	210,198	94,525	6,946
20-Nov	Irving FB for Savings, FSB, Chicago, IL	273,621	246,890	245,014	33,434
20-Nov	Polifly FS&LA, New Milford, NJ	465,171	447,794	371,061	38,945
20-Nov	Crestline FS&LA, Crestline, OH	31,186	29,027	26,643	4,596
04-Dec	Second National FSA, Salisbury, MD	1,636,037	1,561,702	1,155,484	100,460
04-Dec	Carteret FSB, Newark, NJ	4,920,683	4,771,219	2,618,686	277,975
04-Dec	Security FSB, Vineland, NJ	1,226,646	1,146,205	841,819	134,086
08-Dec	Palm Beach FSA, Palm Beach Gardens, FL	60,449	55,521	54,303	2,193
<b>Total</b>	<b>50 Institutions</b>	<b>\$35,912,455</b>	<b>\$34,737,857</b>	<b>\$25,257,110</b>	<b>2,996,545</b>

Note: Data based on TFR data for the quarter prior to date of conservatorship.

# RTC Resolutions

## January 1, 1992 through December 31, 1992

(dollars in thousands)

Date of Resolution	Name of Institution and Location	Type	Gross Assets	Total Liabilities	Total Deposits	Number of Deposit Accounts	Estimated Cost of Resolution	Acquiring institution and Location
10-Jan	Perpetual SB, Vienna, VA *	PA	\$ 2,973,410	\$ 2,889,329	\$ 2,440,638	326,164	\$ 418,910	Crestar Bank, Richmond, VA
31-Jan	Home FS&LA, FA, Algona, IA	PA	119,598	116,717	96,786	18,606	11,156	Branch Sale
31-Jan	Century FSB, Chicago, IL	PA	18,858	19,902	19,838	3,414	1,419	Metropolitan B&TC, Chicago, IL
31-Jan	Pelican Homestead SA, Metairie, LA *	PA	1,349,410	1,497,873	1,483,718	174,910	445,947	First Commerce Corp., New Orleans, LA
31-Jan	Liberly SB, FSB, Marietta, OH	PA	15,353	15,383	11,163	1,165	3,067	People's B&TC, Marietta, OH
07-Feb	Connecticut FS&LA, Hartford, CT	PA	16,202	16,335	5,468	1,382	2,767	Bank of Boston Connecticut/BBOC, Waterbury, CT
07-Feb	United Savings of America, Melbourne, FL *	PA	328,955	334,905	292,379	45,102	25,628	Barnett Bank of Central FL, Orlando, FL
07-Feb	First Commerce SB, FSB, Lowell, IN	PA	6,899	6,969	6,919	1,781	694	Centier Bank, Whiting, IN
07-Feb	Ludington FSB, Ludington, MI	PA	26,446	27,124	27,004	4,587	1,668	Northwestern SB&T, Traverse City, MI
07-Feb	First FSA of Chickasha, Chickasha, OK	PA	121,912	121,851	119,077	10,224	25,337	Branch Sale
07-Feb	Fidelity FS&LA, Austin, TX	PO	64,130	62,369	41,924	820	8,203	None
21-Feb	Irving FS&LA, Paterson, NJ	PA	150,428	167,084	165,332	32,195	34,721	Hudson United Bank, Union City, NJ
21-Feb	Centre SA, FA, Arlington, TX	PA	9,297	9,282	9,198	954	3,053	American FB, FSB, Dallas, TX
28-Feb	Executive SB, FSB, Marina del Rey, CA	PA	41,885	41,212	40,782	1,466	5,595	Century FS, Pasadena, CA
28-Feb	New Metropolitan FSB, Hialeah, FL	PA	8,563	34,772	32,005	2,623	27,303	Desjardins FSB, Hallandale, FL
28-Feb	Republic SB, FSB, Rockville, MD	PA	20,528	22,789	15,388	487	7,091	First FSB of Delaware, Wilmington, DE
28-Feb	Burleson Co. FSA, Caldwell, TX	PA	23,900	24,357	23,883	3,061	5,925	Citizens State Bank, Somerville, TX
28-Feb	Home SB, FSB, Salt Lake City, UT	IDT	6,003	8,021	7,956	519	3,133	Zions First NB, Salt Lake City, UT
06-Mar	First FSA of Raleigh, Raleigh, NC	PA/PO	342,502	327,701	175,221	34,016	81,627	Branch Sale
06-Mar	Davy Crockett FSA, Crockett, TX	PO	41,112	38,009	33,211	3,746	4,548	None
06-Mar	CorEast FSB, Richmond, VA	PA/PO	701,776	715,730	623,185	65,532	254,624	Branch Sale
13-Mar	Jefferson FS&LA, Birmingham, AL	PA	456,996	447,775	352,556	65,080	69,580	Branch Sale
13-Mar	United FS&LA, Jonesboro, AR	PA	140,060	133,372	123,631	27,786	21,557	Branch Sale
13-Mar	Progressive SB, FSB, Pasadena, CA	PA	290,014	281,906	278,565	20,179	26,921	Branch Sale
13-Mar	Danbury FS&LA, Danbury, CT	PA	219,971	218,612	139,069	17,112	21,146	Bristol FSB, Bristol, CT
13-Mar	Professional FSB, Coral Gables, FL	PA	302,451	450,223	444,080	41,207	268,609	Branch Sale
13-Mar	Guaranty FSA, Warner Robins, GA	PA	18,879	21,669	12,000	1,223	8,569	Crossroads Bank of GA, Perry, GA
13-Mar	Security FS&LA, Albuquerque, NM	PA/PO	118,889	133,316	131,230	7,713	34,273	Branch Sale
13-Mar	Central FSB, Mineola, NY	PA	687,695	794,013	526,285	84,935	338,415	Chemical Bank, New York, NY
13-Mar	First Ohio SB, St. Bernard, OH *	PA	41,689	40,247	31,640	3,735	0	MBT Bancorp, W. Harrison, IN
13-Mar	Colonial FSB, Cranston, RI	PO	51,648	51,014	39,972	3,959	10,475	None
13-Mar	Monycor FSB, Barron, WI	PA	116,962	115,406	103,373	24,274	14,514	Branch Sale
19-Mar	New Age FSA, St. Louis, MO	PA	8,233	8,678	8,595	2,502	1,048	Commerce Bank of St. Louis, St. Louis, MO
20-Mar	Far West S&LA, FA, Newport Beach, CA	PA/PO	1,804,478	2,043,985	1,961,058	73,210	831,018	Branch Sale
20-Mar	Security FS&LA, Waterbury, CT	PA	124,372	121,809	93,915	16,662	38,183	American Bank of CT, Waterbury, CT
20-Mar	Amerfirst FSB, Miami, FL	PA	2,516,196	2,746,780	1,973,561	212,801	806,665	Great Western Bank, FSB, Beverly Hills, CA
20-Mar	Peoples FSA, Ottumwa, IA	PA	32,432	31,968	31,697	4,508	483	South Ottumwa SB, Ottumwa, IA
20-Mar	Western FS&LA, Glenview, IL	PA	38,001	33,869	25,922	3,299	2,258	Devon Bank, Chicago, IL
20-Mar	Augusta FSA, Baltimore, MD	PA/PO	88,241	100,527	99,651	14,711	8,244	Branch Sale
20-Mar	Newton SB, FSB, Fairfield, NJ	PA	38,138	37,661	27,391	6,793	3,878	Sussex County State Bank, Franklin, NJ
20-Mar	Chisholm FSA, Kingfisher, OK	PA	143,797	132,669	131,556	11,975	11,962	Branch Sale
20-Mar	Bell FSB, Upper Darby, PA	PA	723,074	708,217	480,364	68,771	189,104	Meridian Bank, Reading, PA
20-Mar	Springfield FSA, Springfield, PA	PA	82,063	78,387	75,917	13,963	0	Germantown SB, Bala Cynwyd, PA
20-Mar	First FSA, Lubbock, TX	PA	191,038	188,615	187,339	22,189	16,595	First NB of Lubbock, Lubbock, TX
20-Mar	Sentry FSA, Norfolk, VA	PO	29,209	34,652	30,743	1,952	11,288	None
20-Mar	TrustBank FSB, Tysons Corner, VA	PA/PO	1,120,512	1,109,734	896,608	100,234	227,154	Branch Sale
27-Mar	County Bank, FSB, Santa Barbara, CA	PA	753,854	714,070	638,950	32,355	176,760	Home Savings of America FSB, Irwindale, CA
27-Mar	Flagler FS&LA, Miami, FL *	PA	1,644,065	1,603,659	1,488,065	150,000	224,610	First Union NB of FL, Jacksonville, FL
27-Mar	United FSB, Smyrna, GA	PA	103,368	105,592	81,736	10,140	21,389	Branch Sale
27-Mar	Federal SB, FSB, Swainsboro, GA	PA	90,070	104,374	82,024	5,910	44,957	Branch Sale
27-Mar	Olympic FSA, Berwyn, IL	PA	588,007	685,652	468,821	42,970	111,577	Branch Sale
27-Mar	Home FSA of Kansas City, Kansas City, MO	PA/PO	2,498,504	2,473,315	2,218,928	230,611	607,208	Branch Sale
27-Mar	Westerleigh FS&LA, Staten Island, NY	PA	122,747	120,442	117,531	19,273	10,045	Branch Sale
27-Mar	State Savings FSB, Jackson Heights, NY	PA	427,594	428,938	343,425	51,721	128,547	Branch Sale
27-Mar	Red River FS&LA, Lawton, OK	PA	448,418	330,808	328,232	36,021	90,421	Branch Sale
27-Mar	Metropolitan FS&LA, Nashville, TN	PA	619,650	631,344	614,603	47,820	170,305	Union Planters NB, Memphis, TN
03-Apr	First FS&LA of Seminole Co, FA, Sanford, FL	PA	107,634	120,725	119,450	21,438	16,616	Federal Trust Bank, FSB, Winter Park, FL
03-Apr	First FSB, Ashburn, VA	PA	17,690	19,828	19,729	1,233	4,579	Branch Sale
03-Apr	First State SA, Sedalia, MO *	PA	166,927	164,899	163,210	23,093	0	Mercantile Bank of Sedalia, Sedalia, MO
03-Apr	New Merabank Texas, FSB, El Paso, TX	PA	635,941	584,820	575,740	43,585	20,229	Branch Sale
10-Apr	Atlantic Financial FSB, San Francisco, CA	PA	335,130	347,279	339,850	36,579	23,968	Branch Sale
10-Apr	Valley FS&LA, Van Nuys, CA *	PA	2,026,697	1,992,057	1,549,633	113,097	189,503	American SB, Irvine, CA
10-Apr	Security 1st FS&LA, Daytona Beach, FL *	PA	1,027,784	995,383	893,246	131,108	58,280	First Union NB of FL, Jacksonville, FL
10-Apr	Metrobank FS&LA, Palisades Park, NJ	PA	426,769	443,630	232,421	26,827	108,908	First FSB (of Delaware), Wilmington, DE
10-Apr	Sunbelt Federal Savings, FSB, Irving, TX	PA	3,148,035	3,524,788	3,394,552	300,279	296,558	Bank of America, Dallas, TX
24-Apr	First American FSB, Tucson, AZ	IDT	109,780	97,905	89,542	6,529	15,426	State SB, FSB, Tucson, AZ
24-Apr	First FSB of South Dakota, Rapid City, SD *	PA	168,861	189,500	168,500	26,042	49,286	Metropolitan FB, FSB, Fargo, ND
10-Jul	Investors FSB, Richmond, VA	PA	1,307,488	1,286,720	893,105	118,354	486,972	Central Fidelity Bank, Richmond, VA
06-Nov	Republic FSB, Matteson, IL	PA	218,023	205,362	203,028	22,189	0	Regency SB, FSB, Naperville, IL
<b>Total</b>	<b>69 Institutions</b>		<b>\$32,765,241</b>	<b>\$33,733,908</b>	<b>\$28,902,114</b>	<b>3,080,701</b>	<b>\$7,190,499</b>	

Notes: 1) Data based on TFR data for the quarter prior to the date of resolution.  
 2) IDT—Insured Deposit Transfer; PO—Deposit Payoff; PA—Purchase & Assumption  
 3) \* "Estimated Cost of Resolution" as of date of resolution.  
 \* Institution was resolved under the Accelerated Resolutions Program (ARP). There were 9 ARP resolutions in 1992.



# RTC Resolved Conservatorships

## August 9, 1989 to December 31, 1992

(dollars in thousands)

	Number	Assets	Liabilities	Deposits	Number of Accounts
In Conservatorship as of 8/9/89	262	\$114,322,627	\$120,788,239	\$91,721,957	8,787,092
Added in 1989	56	25,872,928	25,774,115	19,774,644	2,230,425
Resolved in 1989	37	13,730,737	14,459,356	11,308,281	1,159,387
In Conservatorship as of 12/31/89	281	\$126,464,818	\$132,102,998	\$100,188,320	9,858,130
Added in 1990	207	129,778,490	128,889,934	94,826,424	9,218,763
Resolved in 1990	309	134,521,901	138,580,070	105,329,383	11,168,506
In Conservatorship as of 12/31/90	179	\$121,721,407	\$122,412,862	\$89,685,361	7,908,387
Added in 1991	123	71,089,358	70,256,474	55,992,835	4,979,963
Resolved in 1991	211	122,399,634	123,758,665	93,898,247	8,337,015
In Conservatorship as of 12/31/91	91	\$70,411,131	\$68,910,671	\$51,779,949	4,551,335
Added in 1992	50	35,912,456	34,737,857	25,257,110	2,996,545
Resolved in 1992	60	34,452,261	33,863,275	26,771,438	2,559,752
In Conservatorship as of 12/31/92	81	\$71,871,326	\$69,785,253	\$50,265,621	4,988,128
Institutions never placed in conservatorship prior to resolution in 1990	6	\$4,000,207	\$4,421,669	\$3,724,296	560,411
Institutions resolved under the Accelerated Resolutions Program in 1991	21	\$8,828,559	\$8,571,564	\$7,394,198	1,053,701
Institutions resolved under the Accelerated Resolutions Program in 1992	9	\$9,727,798	\$9,707,852	\$8,511,029	993,251

Note: Data at quarter prior to date of conservatorship (date of resolution for non-conservatorship resolutions).

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# **The 1992 RTC Annual Report**

**Published by:**

**The Resolution Trust Corporation  
Office of Corporate Communications  
801 17th Street, NW  
Washington, DC 20434-0001**

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