1993 ANNUAL REPORT

RTC

RESOLUTION TRUST CORPORATION

Resolving The Crisis
Restoring The Confidence

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Restoring The Confidence

September 30, 1994

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 1993. Financial operating plans and forecasts have been provided separately.

Very truly yours,

John E. Ryan
Deputy and Acting Chief Executive Officer

The President of the U.S. Senate

The Speaker of the U.S. House of Representatives

The Resolution Trust Corporation (RTC) has now entered the last phase of its operations. I am pleased to report that, given the RTC's progress in 1993, the Corporation is now poised to complete its job by the statutory sunset date, no later than December 31, 1995.

The days when the RTC resolved scores of thrifts in a single month and disposed of tens of billions of dollars in assets in one quarter are thankfully behind us. The most serious damage of the savings and loan crisis has been addressed, and today depositors continue to retain faith in the promise of deposit insurance and to benefit from the improved stability of savings institutions.

At the end of 1993, there remained only 63 thrifts to be resolved and $63 billion in assets of which to dispose. At that point, 680 thrifts had been resolved, protecting 22.9 million depositors, $353 billion (net of putbacks) in assets sold, and $680 million in recoveries collected from professional liability claims against individuals and professionals who had participated in bringing about the crisis.

John E. Ryan
Deputy and Acting Chief Executive Officer

The pace of resolutions during 1993 was slow as a result of Congressional deliberations on providing the last installment of funding. Twenty-seven thrifts were resolved during the year and $49 billion (net of putbacks) was recovered for taxpayers through asset sales and collections. The RTC also recovered $351 million in funds from professional liability claims.

In addition to conducting its essential business in 1993, the RTC also paused to take stock of operations and make some essential improvements. A wide range of management reforms was enacted to ensure the integrity and cost-effectiveness of operations. A new Chief Financial Officer was appointed to manage financial and accounting activities, and all such activities were consolidated under one division. As part of the expansion of minority and women's programs, the Department of Minority and Women's Programs was elevated to a division, and the Assistant Vice President became a Vice President.

A far-reaching new program, the Small Investor Program, was also created to give investors in the moderate capital range more opportunities to compete for and purchase assets. All of these changes were designed to make the RTC more efficient and its programs more equitable as it works to complete its mandate.

By far the most pivotal event of the year was Congress' approval in November 1993 of the Resolution Trust Corporation Completion Act, legislation which provided the final installment of RTC funding and set an agenda for creating more opportunities for minorities and women. With funding in hand, the RTC has resumed resolving thrifts, and plans to complete the sale of all remaining conservatorships by the end of the third quarter of 1994. The RTC has also implemented the legislation's provisions relating to minority and women's programs, including bidder preferences for minority investors seeking to purchase thrifts or branches located in minority neighborhoods.

The Completion Act also changed the RTC's sunset to no later than December 31, 1995, at least one year earlier than was originally established in the 1989 legislation creating the Corporation. In light of this earlier sunset date, we are working closely with the Federal Deposit Insurance Corporation on the transfer of RTC assets, personnel, and operations to the FDIC.

In my six months with the RTC, I have seen firsthand the dedication of the RTC's employees, who have helped bring the resolution of the savings and loan crisis to its final chapter. Never before has such an organization been created and charged with confronting such a massive task. Without the dedication demonstrated daily by the RTC employees, the anticipated prompt and successful conclusion of this mission would not be possible.

June 22, 1994

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INTRODUCTION

Established on August 9, 1989, with the passage of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the Resolution Trust Corporation (RTC) is tasked with resolving the savings and loan crisis created during the 1980s. Risky investments, fraud, and mismanagement at hundreds of thrifts across the country contributed to their demise—a financial crisis this nation had not seen since the Great Depression. The RTC's job is to fulfill the government's promise to protect insured deposits at these failed institutions.

The RTC manages and sells failed savings institutions, and recovers funds by managing and selling the institutions' assets. These thrifts are ones that had been insured by the Federal Savings and Loan Insurance Corporation (FSLIC) for which a conservator or receiver was appointed during the period January 1, 1989, through a date between January 1, 1995, and July 1, 1995, to be determined by the Chairperson of the Thrift Depositor Protection Oversight Board.

Upon its creation in 1989, the RTC inherited 262 failed thrifts from the Federal Deposit Insurance Corporation (FDIC), which had led an interagency effort to evaluate and oversee the operations of the nation's insolvent thrifts. By yearend 1993, the RTC had resolved 680 insolvent thrifts, and achieved asset sales and collections totaling $353 billion (net of putbacks) for the nation's taxpayers. In 1993, the RTC resolved 27 failed thrifts; asset sales and collections totaled $49 billion (net of putbacks). At yearend, the RTC was supervising 63 thrifts in its conservatorship program that the Office of Thrift Supervision had determined to be insolvent.

As part of its mandate under FIRREA, the RTC must conduct its operations in a manner which maximizes the net present value return from the sale or other disposition of failed thrifts and their assets, minimizes the impact of such transactions on local real estate and financial markets, minimizes the amount of any loss realized in the resolution of the insolvent thrifts, and maximizes 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 from wrongdoers, the RTC is authorized to investigate, initiate civil litigation, and make criminal referrals in cases involving former officers, directors, and other professionals who contributed to the thrifts' downfall.

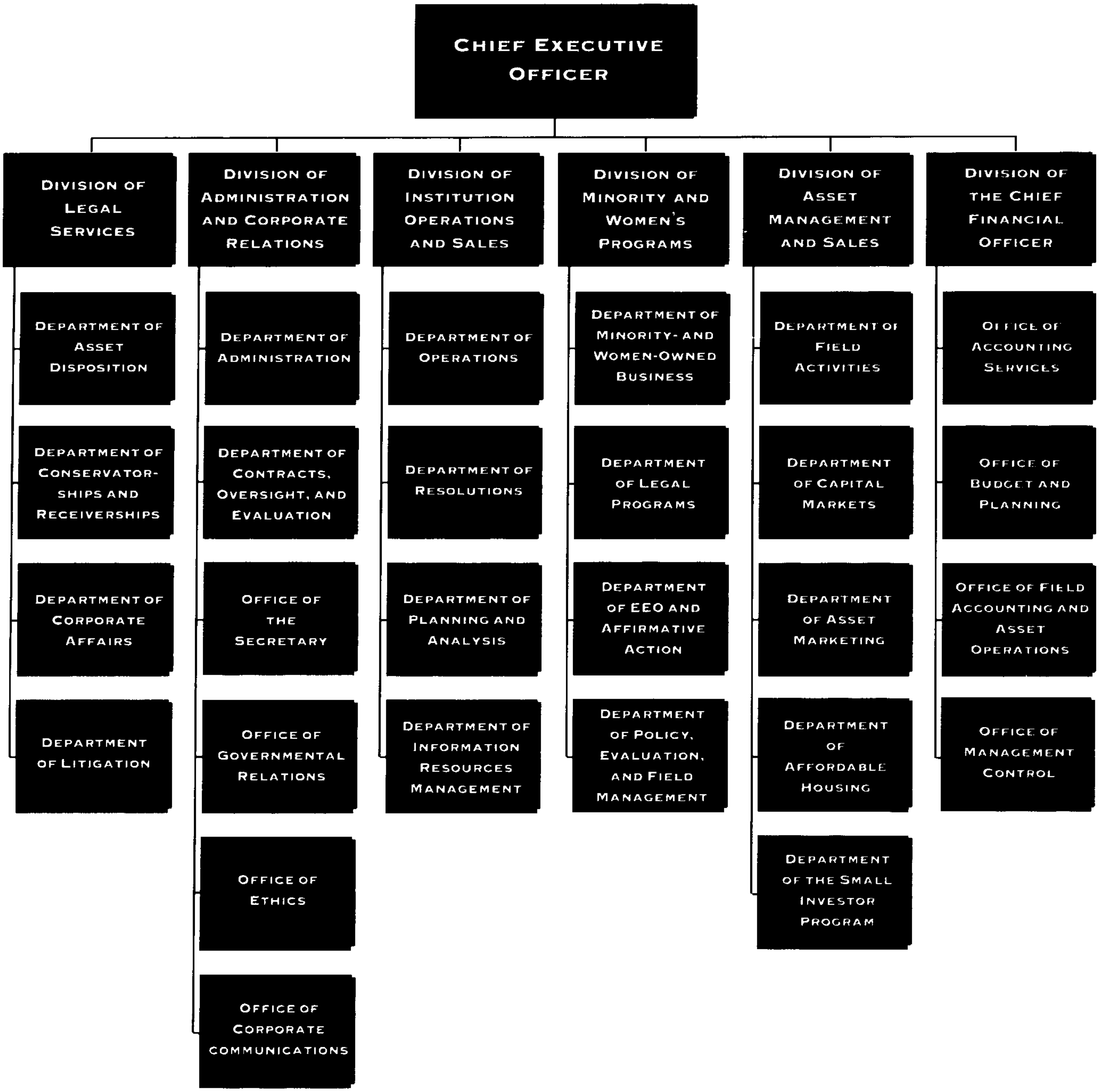
The Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 (H.R. 3435), enacted on December 12,1991, provided the RTC with $25 billion in funding through April 1, 1992; extended the RTC's ability to accept appointment as conservator or receiver from August 9, 1992, set forth 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.

From April 1, 1992, through December 17, 1993—when President Clinton signed into law the RTC Completion Act—the RTC was without funding to resolve failed savings and loan institutions. With enactment of this legislation, the April 1, 1992, limitation on funds previously established under the RTC Refinancing, Restructuring, and Improvement Act of 1991 was removed. The RTC was given authority to use up to $18.3 billion—which remained from the $25 billion authorized under the 1991 act—to resolve failed savings institutions.

Among other provisions of the RTC Completion Act were the extension of the deadline for appointment of the RTC as conservator or receiver for savings associations from September 30, 1993, to a date between January 1, 1995, and July 1, 1995, to be determined by the Chairperson of the Thrift Depositor Protection Oversight Board; establishment of a new termination date for the RTC—no later than December 31, 1995, at least one year earlier than

Resolution Trust Corporation Organizational Structure

DECEMBER 31, 1993



previously established; expansion of the RTC's minority and women's programs and affordable housing responsibilities; implementation of numerous management reforms, outlined in March 1993 by Secretary of the Treasury Lloyd Bentsen; reduction of the maximum authorization of funds for SAIF (Savings Association Insurance Fund), controlled by the FDIC, to $8 billion through fiscal year 1998, or until its reserve ratio equals 1.25 percent, whichever occurs first; and creation of an FDIC-RTC transition task force to facilitate the transfer of RTC operations and personnel to the FDIC in a coordinated manner.

The RTC operates from its headquarters in Washington, D.C.; field offices and sales centers in six cities—Atlanta, Georgia; Newport Beach, California; Dallas, Texas; Denver, Colorado; Kansas City, Missouri; and Valley Forge, Pennsylvania; and the National Sales Center in Washington D.C.

On March 15, 1993, Deputy Treasury Secretary Roger C. Altman became interim Chief Executive Officer of the RTC, taking over the helm from resigning President and CEO Albert V. Casey. At yearend 1993, the Executive Committee—which served as the policy-setting entity of the RTC and addressed major operational matters—consisted of William H. Roelle, Senior Vice President, Division of Institution Operations and Sales (who served as committee chairman); Lamar C. Kelly, Senior Vice President, Division of Asset Management and Sales; Donna H. Cunninghame, Chief Financial Officer; Johnnie B. Booker, Vice President, Division of Minority and Women's Programs; Barry S. Kolatch, Vice President, Department of Planning and Analysis; Thomas P. Horton, Vice President, Department of Field Activities; and E. Glion Curtis, Acting General Counsel, Division of Legal Services.

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 members include the Secretary of the Treasury, who chairs the Board; the Chairperson of the FDIC Board of Directors; the RTC CEO; the Director of the Office of Thrift Supervision; the Chairperson 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

The 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, asset disposition, contracting, litigation, claims against directors and officers of failed institutions, and special issues, including the RTC's statutory authority and responsibilities, legislation, and tax and environmental matters.

The General Counsel heads the division, which consists of four departments: Asset Disposition, Conservatorships and Receiverships, Corporate Affairs, and Litigation.

Department of Asset Disposition

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

Office of Real Estate

In 1993, the Office of Real Estate assisted the Corporation in closing more than $34 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 provided legal support on major real estate transactions, including Land Fund I, in which nearly $0.8 billion (book value) in land and loans secured by land were sold through a limited partnership arrangement; and Landmark I, which offered golf course and other development properties from the Landmark subsidiaries of Oak Tree Federal Savings Bank, New Orleans, Louisiana, in accordance with an approved bankruptcy plan of reorganization.

The office assisted in the preparation of Environmental II, sealed-bid sales of environmentally impaired assets and loans secured by such assets; and in the Judgments, Deficiencies, and Chargeoffs (JDC) initiative, a partnership arrangement designed to sell approximately $7 billion (book value) of judgments, deficiencies, and chargeoffs.

Office of Securities and Finance

In 1993, the Office of Securities and Finance assisted with the securitization of loans, resulting in the sale of $3.8 billion (book value) of single-family, multifamily, commercial, manufactured housing, and home equity loans.

In addition, the office assisted in disposing of a variety of high-yield and other securities. In 1993, the RTC sold over $182 million (face value) in junk bonds and equity securities, and $193 million (face value) in additional shares of common preferred stock and warrants. The office also assisted in disposing of $139 million (face value) in highly leveraged transaction loans during the year.

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 legal support in resolving failed savings assocations including providing documentation required when the RTC takes over and resolves failed thrifts. The department also provides legal advice for contracting activities. The department consists of the Office of Conservatorships, Receiverships, and Resolutions, and the Office of Contracting.

Office of Conservatorships, Receiverships, and Resolutions

In 1993, the Office of Conservatorships, Receiverships, and Resolutions provided legal support for six major thrift resolutions (resolutions of thrifts with liabilities exceeding $500 million at conservatorship) and 21 field thrift resolutions (resolutions of thrifts with liabilities totaling less than $500 million at conservatorship), which represented an aggregate of $8.2 billion in deposits and resulted in savings of $300 million over the cost of a payoff.

In addition, the office assisted in the termination of 16 receiverships, and in the processing of 52 receiverships approved for termination in 1993. Terminations are accomplished through the RTC's purchase of the remaining receivership assets and its payment of final dividends to creditors of the former institutions.

During the year, the office also provided legal support for the sale of two healthy thrifts that were subsidiaries of failed institutions.

Office of Contracting

The Office of Contracting provides legal advice on contracting issues. In December 1993, after the RTC Completion Act became law, the office began assisting in the implementation of provisions in the act which require strengthened controls over contracting and increased participation of women and minorities in contracting activities. The office coordinated with the Office of Contract Operations and the Division of Minority and Women's Programs to revise contracting procedures, regulations, and standard contracts in accordance with the act's provisions.

The office's Outside Counsel Management Unit (OCMU) continued in 1993 to oversee policies and procedures for retaining outside counsel. The RTC Completion Act provides that only a warranted contracting officer appointed by the RTC or a managing agent of a savings association in RTC conservatorship may execute a contract on behalf of the RTC for the provision of goods or services. The RTC's General Counsel designated OCMU's acting Senior Counsel as a warranted contracting officer, who in turn redelegated levels of authority at headquarters and in the field to execute legal services contracts.

OCMU also acted as the Division of Legal Service's liaison with the Office of Inspector General in audits of outside counsel. OCMU prepared the division's responses to audit reports and negotiated fee bill adjustments with the audited firms.

During the year, the Office of Contracting's Outside Counsel Conflicts Unit assisted the joint RTC/FDIC Outside Counsel Conflicts Committee in overseeing the handling of conflict-of-interest matters relating to outside counsel. In December 1993, the revised Statement of Policies Concerning Outside Counsel Conflicts of Interest was approved, setting forth the principles applied by the Conflicts Committee in resolving outside counsel conflicts of interest.

The office also assisted the RTC's Office of Ethics with its program to inform contractors of the consequences of violating RTC regulations.

Department of Corporate Affairs

The Department of Corporate Affairs oversees all legal matters pertaining to the RTC's internal corporate structure, governance, and procedure, as well as legislative and policy matters, and provides legal support in such areas as tax and environmental law. The department also is reponsible for all legal matters involving the RTC as a federal employer, including personnel, labor-relations, and general employment matters.

The department is comprised of the Offices of Corporate Issues, Special Projects, and Labor and Employment.

Office of Corporate Issues

In 1993, the Office of Corporate Issues provided legal support and analysis on RTC-related legislation, including the RTC Completion Act. The office prepared several analyses of the RTC Completion Act, including a memorandum setting forth the highlights of the conference report, a preliminary list of action items arising from the act, and an analysis of the act's provisions.

The office also assisted in matters involving RTC internal corporate governance, law, and procedure, including drafting CEO resolutions, delegations of authority, and other documents. During 1993, pursuant to requirements under the Chief Financial Officers Act of 1990, the office performed internal control reviews of the Division of Legal Service's delegations of authority in each of the six field offices.

In addition, the office was responsible for the administration and oversight of the Settlement Workout Asset Teams (SWAT) program at headquarters and the field offices, including the development of SWAT policies and procedures.

Office of Special Projects

In 1993, the Office of Special Projects provided legal support to the RTC in several areas, including tax matters, pension and employee benefits, information disclosure, and environmental law. The office also administered the computerized tracking system for legal matters—the RTC Legal Information System (RLIS). At yearend, RLIS was monitoring more than 20,000 active legal matters, and contained records of nearly 100,000 non-active entries (mostly closed cases).

The office is responsible for the RTC's Alternative Dispute Resolution Program, which helped to resolve 80 legal disputes in 1993, saving approximately $12.5 million in legal fees budgeted for litigation. Resolution of these cases resulted in a $3 million reduction in claims against the RTC, and produced recoveries totaling $11 million. The unit oversees the resolution of disputes through negotiation, mediation, and arbitration.

The office, along with the division's Office of Real Estate, assisted in the preparation of the Environmental II sealed-bid sales of environmentally impaired properties and loans secured by such properties.

The office's Tax Group, together with attorneys from the Department of Litigation and RTC tax accountants, was part of an RTC team that met in 1993 with many state tax officials to discuss tax aspects of financial institutions in receivership. The meetings resulted in the abatement of many potential problems with state taxation of RTC thrifts.

At the federal level, in December 1992, the RTC entered into an inter-agency agreement with the Internal Revenue Service (IRS). The agreement provides that with any insolvent thrift under RTC supervision, the IRS will determine the proper amount of tax liabilities of the thrift, but will forego the collection of assessed income tax liabilities when Treasury funds are used to pay them. In implementing this agreement, the IRS and the RTC in 1993 attempted to settle or otherwise resolve all tax litigation cases between the two agencies that were pending in Tax Court or in various other courts.

Office of Labor and Employment

The Office of Labor and Employment is responsible for all legal matters involving the RTC as a federal employer, including personnel, labor-relations, ethics, equal employment opportunity, and other employment matters. In 1993, the office provided advice on these matters, including issues relating to the return of RTC-assigned employees to the FDIC and the ramifications of the RTC's downsizing and sunset.

From the RTC's inception through yearend 1993, the office represented the RTC in 73 employment actions—19 Merit System Protection Board cases, 44 Equal Employment Opportunity Commission cases, and 10 Title VII and whistleblower actions brought in federal district court.

The office also conducted legal reviews of 139 garnishment actions, including tax levies, bankruptcy, child/spousal support, and commercial debts.

Department of Litigation

The Department of Litigation oversees and coordinates all litigation involving 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 Litigation, Professional Liability, and Complex Litigation.

Office of Litigation

The Office of Litigation is responsible for all civil litigation except bankruptcy, professional liability, and certain matters arising out of junk bond investments by thrifts. The office also coordinates with other federal agencies, such as the FDIC and the Department of Justice, on issues of mutual interest.

At yearend 1993, the office was handling approximately 20,000 trial court litigation matters. At any given time, the RTC is managing approximately 700 "significant issue cases," which involve issues that impact RTC policy or on which it is important that the RTC take a consistent position nationwide.

At yearend, the office was also handling nearly 400 RTC appellate matters, including cases pending in the United States Supreme Court, in all 12 of the United States Circuit Courts of Appeals, and in the appellate courts of many states.

In 1993, Litigation Review Teams were established in each of the field offices to review, evaluate, and recommend strategies and proposed resolutions for matters in litigation.

Office of Professional Liability

The Office of Professional Liability investigates and prosecutes RTC claims arising from improper conduct of directors, officers, attorneys, appraisers, accountants, and other professionals who provided services to failed thrifts. At yearend, the office was in the process of prosecuting 320 civil actions arising out of 213 failed institutions.

From inception of the RTC through yearend 1993, the office executed settlement agreements of professional liability cases that will result in the payment of approximately $743 million, of which approximately $675 million in settlements and approximately $5.1 million in judgments had been collected by yearend.

The office also provided legal support on legislative issues relating to professional liability. On November 17, 1993, the Assistant General Counsel of the Office of Professional Liability testified before the House Banking Committee at a hearing on directors' and officers' insurance and liability issues.

Office of Complex Litigation

The Office of Complex Litigation oversees all bankruptcy cases in which the RTC as a receiver or conservator has a vested interest. At yearend 1993, the office was handling approximately 3,500 active bankruptcy matters with almost $10 billion of RTC claims.

The office obtained sizeable bankruptcy recoveries during the year, including approximately $400 million resulting from the plan of reorganization of Landmark Land Company; $104 million in cash recovered through the plan of reorganization of Craig Hall, a real estate syndicator; and $80 million in cash recovered on junk bonds through the plan of reorganization of Gillett Holdings Inc., a conglomerate that issued junk bonds underwritten by Drexel Burnham Lambert.

The office is also responsible for the prosecution of claims arising from junk bond investments by financial institutions now under RTC or FDIC supervision. At yearend, the office had obtained cash recoveries totaling $800 million on behalf of RTC and FDIC conservatorships and receiverships that incurred losses resulting from investments in high-risk, high-yield securities. The RTC's share of these recoveries totaled $754 million, which includes $260 million from a securities litigation claims settlement reached in connection with the Drexel Burnham Lambert bankruptcy; $389 million from a settlement with Michael Milken, the head of Drexel's high-yield bond department, and his associates and affiliates; and $105 million from other Drexel-related claims, including actions brought against issuers of securities underwritten by Drexel.

ADMINISTRATION AND CORPORATE RELATIONS

The Division of Administration and Corporate Relations provides administrative services to the RTC in a wide range of areas, including personnel, contracting, governmental relations, corporate communications, organization and management analysis, and facilities. The division is comprised of two 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 for the RTC, and is the central point for analyzing and proposing changes to the Corporation's organizational structure. Through November 1993, the department consisted of the Offices of Administrative Services, Human Resources Management, Organization and Resource Management, and Corporate Information. In December 1993, the Office of Corporate Information merged with the Office of Systems Development to form the new Department of Information Resources Management within the Division of Institution Operations and Sales.

Office of Administrative Services

The Office of Administrative Services develops and manages the RTC's corporate services, maintains the RTC's facilities, and develops policies, procedures, and guidelines for a wide variety of functions, including real property management and administrative services. The office provides direct operational support to all RTC headquarters activities and technical assistance to field offices in these areas.

In 1993, the office developed and put into effect a housing plan for headquarters to accommodate staff increases resulting from the implementation of Treasury Secretary Lloyd Bentsen's RTC Management Reform Agenda. The plan was executed without disrupting operations.

During the year, the office expanded in-house graphic design capabilities to ensure improved-quality graphic support. The office also completed implementation of the Records Management Tracking System, providing a consolidated database of all institutional records to track the RTC asset inventory, and completed investigations and litigation. In addition, storage and retrieval services were provided for 1.4 million cubic feet of RTC records.

In 1993, the Personnel Security Program and the Suitability Program were transferred to the Office of Administrative Services from the Office of Human Resources Management. The programs ensure that every RTC employee, appointee, and applicant is adequately investigated to determine suitability to work at the RTC.

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.

During the year, the office assisted in the RTC's field reorganization and downsizing effort, including the closing of field offices in Houston; Baton Rouge; Somerset, New Jersey; Phoenix; Tampa; San Antonio; and Chicago. The office also conducted employee and manager briefings on personnel issues and programs in the six remaining field offices, and coordinated the return of more than 600 permanent employees to the FDIC.

In June 1993, the office reorganized operations, grouping personnel specialists into teams to increase efficiency, productivity, and accountability. The office also launched an outreach program for employees and managers, providing brochures, on-site visits, management information, and training on personnel-related issues.

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, analysis, reporting, and execution for the division.

In 1993, the office drafted the charter for the

FDIC/RTC Consolidation Coordination Committee, which was established to begin managing the transition of permanent employees back to the FDIC. In addition, the office drafted the RTC's Contracting Action Plan, designed to strengthen contracting operations. The office also conducted a study in the Office of Contracts to establish appropriate timeframes for key steps in the contracting process and to establish a reporting network that keeps employees and contractors apprised of the status of contracts.

During the year, the office established an RTC-wide delegations committee responsible for ensuring uniform and appropriate delegations of authority throughout the Corporation. The office also acts as the contact for RTC field employees requesting clarifications and interpretations of delegations of authority.

The office formulated the division's 1993 Expense Operating Budget, and assisted division budget representatives in adjusting their annual operating budgets.

Department of Contracts, Oversight, and Evaluation

The Department of Contracts, Oversight, and Evaluation oversees all RTC contracts. In 1993, the department significantly restructured and enhanced contracting operations. This included implementing an RTC contracting reform initiative during the first quarter of 1993, and carrying out Treasury Secretary Bentsen's recommendations to improve controls over contracting activities, revise contracting procedures, and expand contractor training and monitoring.

As part of this effort, in December 1993, the department's Office of Contracts was reorganized into two new offices: Contract Policy and Major Dispute Resolution, and Contract Operations. The purpose of the reorganization was to separate contracting functions and to place a stronger focus on contract awards and activities, and on the policy issues affecting contracting.

The department is also comprised of the Office of Contractor Oversight and Surveillance, and the Administrative Evaluation Staff.

Office of Contract Policy and Major Dispute Resolution

The Office of Contract Policy and Major Dispute Resolution develops RTC contracting policies and procedures, and addresses major disputes arising from contract awards. The office responds to questions raised by audit organizations, including the General Accounting Office and the RTC's Office of Inspector General, regarding contract awards and invoices, and negotiates for the recovery of funds from contractors.

In 1993, the office enacted major revisions to standard contracting procedures, and developed a new contractor oversight training course. The office also revised the Contract Policies and Procedures Manual (CPPM) to reflect new contracting policy changes and to promote prompt and complete RTC responses to contractor findings by auditors.

The office is responsible for administering two programs: the Warranted Contracting Officer Program and the Byrd Amendment Program. The Warranted Contracting Officer Program requires that only Warranted RTC Contracting Officers execute contracts. The program established uniform procedures and minimum standards for the certification, maintenance, and termination of warrants issued to the contracting officers. The Byrd Amendment Program requires the RTC to obtain signed certifications from RTC contractors who have contracts exceeding $100,000 or from buyers who have obtained RTC seller financing in excess of $150,000 disclosing whether they have engaged in any lobbying activities with members of Congress. This information is reported to Congress bi-annually.

Office of Contract Operations

The Office of Contract Operations awards and administers contracts at headquarters, and coordinates and oversees contracting activities at RTC field offices, conservatorships, and receiverships. The office also oversees the RTC's contracting information system.

In 1993, the office restructured operations and increased staff by 48 positions to strengthen contracting oversight and improve the administration of contracting activities. Improvements were made in pre-award planning and post-award monitoring, and in contracting performance standards, which were revised during the year.

The office established a field liaison unit at headquarters to oversee field contracting operations. Invoice Processing Centers were established in each field office to standardize procedures for tracking, approval, and verification of invoices, and to strengthen internal controls. An automated process for tracking and processing invoices was developed for this purpose.

The following chart shows RTC contracting activity nationwide from inception in August 1989 through 1993:

RTC CONTRACTING ACTIVITY

1989 through 1993

Year	Number of Awards	Fees Paid to Contractors
1989	220*	$ 2,940,514*
1990	10,419*	470,508,905*
1991	47,449*	1,618,069,026*
1992	45,948*	1,235,491,313*
1993	24,311	510,089,879
TOTAL	**128,347**	**$3,837,099,637**

*Certain figures published in the 1992 RTC Annual Report have been restated to reflect contract amendments, extensions, and renegotiations made over time.

Office of Contractor Oversight and Surveillance

The Office of Contractor Oversight and Surveillance assists RTC program offices and the Office of Contract Operations in engaging, monitoring, and evaluating major contractors. The office conducts background investigations of contractors and contractor personnel, and financial and performance reviews of contractor operations; investigates allegations of contracting irregularities; coordinates major RTC contract terminations; and initiates suspension and exclusion actions of contractors for fraud, non-performance, and violations of fitness and integrity. In 1993, 95 percent of all suspension and exclusion actions executed by the RTC were based on the office's investigative work.

In addition, the office administers the Competition Advocacy Program to provide an independent advocate for the fair and equitable treatment of firms seeking to do business with the RTC.

In 1993, the office completed background investigations of more than 4,600 contractors and 14,000 contractor personnel; it also closed more than 400 contractor fitness and integrity investigations, resulting in 123 suspension and exclusion actions. The office issued 165 performance and financial review reports of RTC contractors during the year, recommending improvements in contractor operations and identifying more than $12 million in questionable costs.

The office developed procedures to assess major contractor performance and to provide RTC contracting officials with guidance in making contract award determinations. Procedures for conducting fitness and integrity background investigations of law firms were also developed during the year.

The office achieved its minority outreach goals for hiring independent public accounting firms to conduct contractor reviews; in 1993, more than 43 percent of the office's review contracts were awarded to minority- or women-owned (MWOB) firms or MWOB joint ventures.

Administrative Evaluation Staff

The Office of Administrative Evaluation was restructured in 1993 into the Office of Management Control, which reports to the Chief Financial Officer, and the Administrative Evaluation Staff, which reports to the Division of Administration and Corporate Relations. The Administrative Evaluation Staff analyzes and reviews the implementation of RTC contracting and administration programs and their compliance with corporate delegations of authority.

In 1993, the staff completed Program Compliance Reviews of contracting and administrative activities at headquarters, the six field offices, and six conservatorships. In addition, reviews of two Receivership Assistance Agreement Contractors were completed. Reports were prepared for each field office and institution incorporating more than 1,000 findings. The reports included recommendations on improving problem areas; follow-up reviews to ensure corrections are made were scheduled in 1993 and will be completed in 1994.

Four offices in the Division of Administration and Corporate Relations report directly to the division vice president: the Offices of the Secretary, Governmental Relations, Ethics, 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, and administers nationwide programs to provide the public with complaint-resolution services and access to RTC information. In preparation for the RTC's sunset in 1995, the office is also compiling a comprehensive written history of RTC activities.

In 1993, the office processed more than 1,000 decisions approved by the RTC President and CEO, the Executive Committee, the senior vice presidents and headquarters vice presidents, and the Information Resources Management Steering Committee.

The office responded to more than 1,321 requests for information about actions taken by the former RTC Board of Directors, the RTC President and CEO, and other senior officials. The office also processed 2,773 litigation filings.

The office handled more than 41,000 requests through the RTC Client Responsiveness Program, and responded to 204,647 requests for documents and information. The office also received 1,055 Freedom of Information and Privacy Act requests during the year and completed responses to 1,151 such requests by yearend (including requests from 1992).

In 1993, the office initiated the Employee Ombudsman Program, providing employees with the opportunity to voice concerns and ideas to the RTC's Chief Executive Officer.

Office of Governmental Relations

The Office of Governmental Relations serves as the RTC's liaison with Congressional officials. It maintains communications with the House and Senate, ensuring that members and their staffs are kept aware of RTC policy concerns, and that the RTC is apprised of issues of importance to the legislative branch. The office also responds to member inquiries on behalf of constituents.

In 1993, the office engaged in a persistent effort to obtain the approval of RTC funding legislation by the 103rd Congress. Tracking numerous pieces of legislation that might ultimately prove to be the final funding measure, the office worked in cooperation with the Treasury Department, the Thrift Depositor Protection Oversight Board, and the Congressional leadership to secure approval of funding.

After deliberating on more than 50 amendments within various committees and subcommittees considering RTC funding legislation, Congress in late November approved the Completion Act, and President Clinton signed the legislation into law on December 17, 1993. Since passage of FIRREA, the office worked successfully with Congress for the appropriation of a total of $55 billion in RTC loss funds.

During the year, the office participated in 22 hearings and four legislative mark-ups relating to RTC operations. From inception to yearend 1993, the office took part in nearly 1,000 meetings with members of Congress or their staffs, and responded to over 30,000 telephone and written inquiries from Congressional offices.

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 administers the RTC's compliance with employee ethics and standards of conduct regulations, laws, and related directives and executive orders; and grants or denies waivers for conflicts of interest under RTC contracts. A system of internal controls is administered by the office to ensure that employee and contractor ethics policies and procedures are followed in the RTC's field offices.

In 1993, the office implemented the U.S. Office of Government Ethics standards of conduct, holding 193 training sessions attended by 6,790 employees. The office also established a program compliance review and monitoring program to reduce risks of conflicts of interest. The office issued directives on the disclosure of employee indebtedness to the RTC, the renegotiation of indebtedness with the RTC, and procedures for enforcement of independent contractor regulations.

In 1993, 50 contractors were excluded from doing business with the RTC for failure to meet RTC ethics standards.

Office of Corporate Communications

The Office of Corporate Communications provides the press and the public with information about RTC activities. The office responds to inquiries from reporters and others throughout the United States and overseas, providing detailed information about the RTC's latest actions.

The office headquarters staff issues both the RTC's national and field press releases, and prepares copy for various publications. The RTC's CEO and other senior officials receive a full range of media and public affairs support from the office, including briefings prior to interviews, and speeches and talking points prior to speaking engagements. The office also writes and edits opinion editorials and letters to the editor for key personnel.

The office produces publications such as the RTC's Annual Report and *Resolution Trust News*, a monthly newsletter for employees. It also distributes a series of news updates, including a daily clipsheet of print coverage, a weekly wrap-up of print coverage, and a daily summary of emerging print and broadcast stories.

INSTITUTION OPERATIONS AND SALES

The 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). Resolution activity was slowed in 1993 because funding legislation was not enacted until December 17, 1993.

The division investigates fraud and other abuses at failed thrifts. It also provides research and analytical support of RTC activities to ensure the RTC's effective operation, and creates and manages the RTC's national information systems.

In December 1993, the division consisted of the Departments of Operations, Resolutions, Planning and Analysis, and Information Resources Management.

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 and insurance claims, and the termination of receiverships. In addition, the department investigates fraud and other abuses at conservatorships and receiverships. At yearend, the department was composed of the Offices of Operations and Investigations.

Office of Operations

The Office of Operations, which has offices at headquarters and in the six field offices, monitors and operates conservatorships and receiverships, conducts closings of insolvent institutions and subsequent payment of depositor and creditor claims, administers post-resolution settlement activity with acquirers, analyzes and pays claims resulting from the representations and warranties provisions of asset sales agreements, manages the termination of employee benefit programs, coordinates and directs operations for terminations of receiverships, and issues reports on program activities.

The headquarters office develops policies and procedures to ensure that all field operation activities comply with applicable laws and support the RTC's goal of minimizing the costs and risks to the general public. The office provides day-to-day guidance in implementing these policies and procedures.

Institutions and Assets in Conservatorship

From inception in August 1989 to yearend 1993, the RTC managed a total of 706 institutions in the conservatorship program. When the RTC was established, the office immediately assumed responsibility for 262 conservatorships from the FDIC. From inception through yearend 1993, 643 conservatorships were resolved, leaving 63 in the program at yearend.

At the beginning of 1993, the RTC was managing 81 conservatorships. During the year, eight additional thrifts entered the program, and 26 conservatorships were resolved. One institution was resolved through the Accelerated Resolutions Program, bypassing a conservatorship action.

Conservatorship Operations Activities

Asset and Liability Management

The RTC prepares a conservatorship for resolution by downsizing it 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 at December 31, 1992, totaled $40.2 billion; they were reduced to an estimated $23.2 billion by yearend 1993. During the year, eight institutions with assets of approximately $6.1 billion were added to the conservatorship program; 26 conservatorships were resolved, removing $7.7 billion in assets from the program. Book value sales and collections during 1993 totaled $31.2 billion.

During 1993, the sale of performing assets from conservatorships was postponed, pending receipt of resolution funding, in order to reduce operating losses in those institutions. After enactment of funding legislation on December 17, 1993, and subsequent approval of a schedule of resolutions, the sale of performing assets in conservatorships was authorized to begin in early 1994.

The overall liability expenses of the institutions being prepared for resolution are reduced by eliminating wholesale (high-cost) deposits, Federal Home Loan Bank advances, and short-term collateralized borrowings. Funding is raised for this purpose primarily through asset sales supplemented with borrowings from the RTC, as necessary.

Executive Compensation

Section 3(A) of the RTC Completion Act requires the RTC to report, as part of its annual report, the total compensation paid to directors and senior executives of thrifts for which it was appointed conservator or receiver during the calendar year. When an institution is placed into conservatorship, its directors are removed on the day of intervention. As a result, no compensation is paid to any of these directors while the institution is in conservatorship. Whether senior executives are asked to remain in managerial or executive positions with the conservatorship depends on their skills and knowledge, and the needs of the managing agent's team.

Salary schedules for senior management of conservatorship institutions were established by RTC directive in 1990. When the RTC intervenes in a thrift and establishes a conservatorship, salaries of those asked to remain in managerial or executive positions are adjusted to the levels established by the directive. For the 89 institutions operating in the RTC conservatorship program during 1993, a total salary savings of $63.2 million was achieved, with a corresponding reduction of 924 officers from pre-conservatorship totals. Compensation paid to all officers (including senior executives) in RTC conservatorships in operation during 1993 is listed in the table "Total Executive Compensation for RTC Conservatorships in 1993," page 22. Receiverships do not have officers or directors; therefore, there is no schedule for their compensation.

1993 RTC CONSERVATORSHIP AND RESOLUTION ACTIVITY

*This figure includes 1 association never placed into conservatorship.

TOTAL EXECUTIVE COMPENSATION FOR RTC CONSERVATORSHIPS IN 1993

INSTITUTION NAME	CITY	ST	TOTAL CURRENT LIABILITIES THOUSANDS $	PRECONSERVATORSHIP TOTAL NUMBER OF OFFICERS	PRECONSERVATORSHIP TOTAL ANNUAL COMPENSATION WHOLE $	1993 TOTAL NUMBER OF OFFICERS 1/	1993 TOTAL ANNUAL COMPENSATION WHOLE $	1993 AVERAGE COMPENSATION WHOLE $
FIRST F&SLA OF RUSSELL CO, FA	PHENIX CITY	AL	$ 65,785	10	$ 415,515	7	$ 287,534	$ 41,076
BIRMINGHAM FSB	BIRMINGHAM	AL	56,083	3	169,837	3	123,000	41,000
ALTUS FSB	MOBILE	AL	500,076	59	3,080,000	28	1,048,686	37,453
GREAT AMERICAN FSA	SAN DIEGO	CA	2,518,405	145	11,306,932	70	4,791,804	68,454
GUARDIAN FSA	HUNTINGTON BEACH	CA	268,214	17	996,105	6	250,078	41,680
DELTA FSB	WESTMINSTER	CA	18,475	22	961,000	2	90,000	45,000
SAN CLEMENTE FSB	SAN CLEMENTE	CA	118,863	8	754,474	2	133,899	66,950
HOMEFED BANK, FA	SAN DIEGO	CA	4,990,285	66	9,138,738	43	4,485,981	104,325
ADVANCED FSB	NORTHRIDGE	CA	25,130	3	191,732	2	104,632	52,316
FIRST NEWPORT FSB	NEWPORT BEACH	CA	10,153	4	314,135	2	85,860	42,930
HOMESTEAD FSA	SAN FRANCISCO	CA	807,125	12	1,550,349	9	663,015	73,668
VISTA FSA	CANOGA PARK	CA	89,295	6	389,637	5	254,885	50,977
GOLDEN STATE FSB	IRVINE	CA	45,249	6	458,966	5	244,659	48,932
WESTERN FSB	MARINA DEL REY	CA	3,098,201	18	3,219,003	15	1,731,578	115,439
ENTERPRISE S&LA *	COMPTON	CA	8,375	1	30,000	0	0	0
PAN AMERICAN FSB	SAN MATEO	CA	140,733	8	500,000	3	175,000	58,333
WESTSIDE BANK FSB	LOS ANGELES	CA	74,389	6	458,693	4	213,099	53,275
COASTAL FSB	NEW LONDON	CT	143,875	18	789,000	11	425,801	38,709
HOLLYWOOD FSB	HOLLYWOOD	FL	587,685	3	392,000	3	209,800	69,933
GOLDOME FSB	ST PETERSBURG	FL	441,140	36	1,449,000	21	842,828	40,135
CORAL COAST FSB	BOYNTON BEACH	FL	26,005	4	218,258	6	249,831	41,639
HANSEN FSB	PALM BEACH GARDENS	FL	17,956	3	139,599	3	139,599	46,533
CITIZENS FSA	JACKSONVILLE	FL	29,439	6	201,824	4	143,200	35,800
SECURITY FSA	PANAMA CITY	FL	39,504	3	271,150	3	186,300	62,100
BAY FSB	WEST PALM BEACH	FL	18,135	5	194,000	3	112,093	37,364
JACKSONVILLE FSA	JACKSONVILLE	FL	79,822	7	369,238	3	214,026	71,342
PALM BEACH FSA	PALM BEACH GARDENS	FL	50,764	7	277,089	2	90,259	45,129
LIFE FSB	CLEARWATER	FL	34,731	14	586,000	3	144,000	48,000
THE GUARDIAN BANK, A FSB	BOCA RATON	FL	51,065	11	612,706	3	190,089	63,363
COBB FSA	MARIETTA	GA	42,015	17	934,000	2	73,072	36,536
FIRST FSB OF GEORGIA, FA	WINDER	GA	82,347	13	531,477	7	265,848	37,978
SOUTHERN FSA OF GEORGIA	ATLANTA	GA	68,604	11	814,000	2	78,000	39,000
UNITED FSA OF IOWA	DES MOINES	IA	301,727	11	513,322	7	336,876	48,125
LEMONT FSA	LEMONT	IL	115,575	2	291,880	3	141,022	47,007
IRVING FB FOR SAVINGS, FSB	CHICAGO	IL	183,045	19	810,371	19	800,286	42,120
THE OVERLAND PARK FS&LA	OVERLAND PARK	KS	100,417	5	203,427	5	203,427	40,685
THE PIONEER FS&LA	PRAIRIE VILLAGE	KS	128,043	8	369,025	5	161,375	32,275
FRANKLIN FSA	OTTAWA	KS	1,519,193	31	3,515,000	13	941,163	72,397
DRYADES S&LA, FA	NEW ORLEANS	LA	82,034	13	756,000	10	448,000	44,800
OAK TREE FSB	NEW ORLEANS	LA	2,846,111	37	2,103,649	26	1,280,533	49,251
CARROLLTON HOMESTEAD ASSN.	NEW ORLEANS	LA	21,459	4	195,010	4	135,422	33,856
LIFE FSB	BATON ROUGE	LA	12,386	3	112,638	3	106,521	35,507
PLYMOUTH FSA	PLYMOUTH	MA	85,587	14	527,842	12	348,395	29,033
NEW ENGLAND FSA	WELLESLEY	MA	51,893	5	240,000	2	164,792	82,396
JOHN HANSON FSB	BELTSVILLE	MD	243,371	51	2,909,000	3	189,061	63,020
IRVINGTON FSB	BALTIMORE	MD	28,489	6	227,700	4	148,500	37,125
POTOMAC FSB	SILVER SPRING	MD	48,281	4	290,000	1	39,400	39,400
STANDARD FSA	GAITHERSBURG	MD	1,882,901	12	1,797,000	8	1,002,000	125,250
SECOND NATIONAL FSA	SALISBURY	MD	1,035,073	55	3,865,436	35	2,081,840	59,481
FIRST FSA	LEWISTON	ME	47,611	7	264,670	4	167,093	41,773
FIRST FS&LA	PONTIAC	MI	326,479	35	1,283,775	35	1,283,775	36,679
SECURITY FS&LA	JACKSON	MS	213,073	28	1,072,487	16	590,174	36,886
SURETY FS&LA, FA	MORGANTON	NC	68,935	16	853,807	9	370,260	41,140
FIRST AMERICAN FSB	GREENSBORO	NC	394,360	10	915,000	5	322,000	64,400
HOMEBANK FSA	GILFORD	NH	82,734	20	784,000	10	379,719	37,972
PROSPECT PARK FSB	WEST PATERSON	NJ	218,321	49	2,693,000	23	1,020,974	44,390
HANSEN FSA	HAMMONTON	NJ	256,101	15	1,211,000	7	327,000	46,714
WHITE HORSE FS&LA	TRENTON	NJ	42,004	4	271,000	3	145,686	48,562
MARINE VIEW FSB	MIDDLETOWN	NJ	88,143	9	493,000	7	304,799	43,543
POLIFLY FS&LA	NEW MILFORD	NJ	282,913	23	1,176,982	27	1,064,219	39,416
SECURITY FSB	VINELAND	NJ	754,111	105	4,590,935	66	2,678,520	40,584
VOLUNTEER FSA	LITTLE FERRY	NJ	27,889	6	181,000	3	136,176	45,392
CARTERET FSB	NEWARK	NJ	3,031,453	106	7,266,329	68	4,767,726	70,114
COLUMBIA BANKING FSA	ROCHESTER	NY	749,204	77	4,992,000	46	2,598,158	56,482
TRANSOHIO FSB	CLEVELAND	OH	1,515,695	30	2,611,000	25	2,324,343	92,974
CRESTLINE FS&LA	CRESTLINE	OH	23,945	1	24,752	1	24,752	24,752
CIMARRON FSA	MUSKOGEE	OK	486,885	58	2,383,595	39	1,379,712	35,377
FAR WEST FSB	PORTLAND	OR	767,739	9	688,478	3	262,872	87,624
HOME UNITY FS&LA	LAFAYETTE HILL	PA	442,880	17	1,159,000	10	538,766	53,877
ABRAHAM LINCOLN FSA	DRESHER	PA	62,826	11	888,000	5	267,807	53,561
CHASE FS&LA	PHILADELPHIA	PA	19,280	5	193,000	3	110,651	36,884
HOMESTEAD FSA	MIDDLETOWN	PA	86,769	2	695,154	12	479,627	39,969
FIRST HOME FSA	PITTSBURGH	PA	97,104	4	236,000	3	142,369	47,456
ALPHA INDIAN ROCK FS&LA	PHILADELPHIA	PA	6,135	2	230,000	2	76,115	38,058
UKRAINIAN FS&LA	PHILADELPHIA	PA	43,593	5	215,795	5	189,135	37,827
OLD STONE FSB	PROVIDENCE	RI	1,521,018	283	11,827,515	22	1,653,545	75,161
FIRST SOUTH FSB	COLUMBIA	SC	25,901	4	324,000	3	98,367	32,789
CITADEL FS&LA	CHARLESTON	SC	18,830	6	254,800	4	167,500	41,875
COOPER RIVER FSA	NORTH CHARLESTON	SC	75,388	7	461,000	3	153,915	51,305
STANDARD FS&LA	COLUMBIA	SC	167,961	33	1,512,000	15	620,749	41,383
CHEROKEE VALLEY FSA	CLEVELAND	TN	79,041	17	521,125	17	478,166	28,127
VISTA FSA	RESTON	VA	71,550	8	451,000	4	235,756	58,939
PIEDMONT FSA	MANASSAS	VA	309,925	5	382,712	3	231,350	77,117
COMMONWEALTH FSB	MANASSAS	VA	34,500	7	397,000	6	252,419	42,070
LIBERTY FSB	WARRENTON	VA	59,742	3	185,000	3	179,536	59,845
FEDERAL SA OF VIRGINIA	FALLS CHURCH	VA	15,376	3	160,000	1	75,457	75,457
HOME FSB	NORFOLK	VA	120,825	17	624,000	3	158,700	52,900
EVERGREEN FS&LA	CHARLESTON	WV	16,927	6	206,000	3	50,194	16,731
SHENANDOAH FSA	MARTINSBURG	WV	44,440	14	1,386,153	9	350,539	38,949
TOTAL			**$35,931,114**	**1,889**	**$116,507,820**	**975**	**$53,235,691**	**$ 54,601**

NOTE: *Enterprise S&LA was resolved during the first quarter of 1993. As all reporting is as of quarter-end, there is no data for this institution.

1/ During 1993, the "Total Officers" definition was revised. The 1993 total officers population includes both the three highest paid employees, and any officer who is not one of the three highest paid employees.

The preconservatorship "Total Officers" definition includes any personnel designated as executive staff by their particular institution. Such definitions may be inconsistent among institutions.

Employee Benefit Plans
During 1993, the RTC worked to terminate employee benefit plans in conservatorships and receiverships in order to make funds available to participants, and created the Pension Tracking System to monitor the progress of the terminations. From inception of the RTC through December 31, 1993, 371 plans were terminated; 145 plans remained to be terminated at yearend. Recognizing the potential liability of the RTC in retaining defined benefit plans, the RTC provided detailed guidance to field staff concerning the proper methods of terminating these plans. Employee benefit specialists in each field office are responsible for terminating the plans and dealing with plan participant issues.

CLAIMS AND SETTLEMENT ACTIVITIES

Terminations of Receiverships
In 1992, the RTC began terminating receiverships that were at least one year old and for which there were no legal or other compelling reasons to be kept open. In 1993, the RTC created the Receivership Terminations Unit at headquarters and established task forces in each field office to manage the termination process.

During the year, the RTC focused on selling the remaining assets in receiverships that were candidates for termination. To facilitate receivership terminations and final payments to creditors, the RTC, in its corporate capacity, generally purchases assets of receiverships with $10 million or less in residual assets.

In 1993, the RTC completed the approval process for 52 receivership terminations, including case preparations showing there were no environmental problems or defensive litigation to prevent termination, leaving only the final certification of termination to be concluded for each institution. From inception of the program in June 1992 through yearend 1993, the approval of termination was completed for 92 receiverships (77 receiverships have been terminated as of December 31, 1993).

Settlements
Receivership settlement with failed thrift acquirers under resolution agreements involves the administration of the purchase and assumption agreements between the RTC and the acquirers. The process, which continues for approximately six months after resolution, allows for the orderly transfer of business associated with the failed thrifts from the RTC to the acquirers.

Due to the lack of funding in 1993, resolution activity fell short of previous years, with only 27 receiverships and one wholly owned subsidiary requiring settlement activity added to the RTC's inventory during the year. In 1993, settlement was concluded for 43 institutions, leaving 31 settlements to be completed at yearend.

Because of the slower resolution pace, the office focused more resources on establishing national poli-

The following chart summarizes RTC advance activity in conservatorships and receiverships during 1993:

1993 RTC CONSERVATORSHIP AND RECEIVERSHIP ADVANCE ACTIVITY

	Principal Amount Only (dollars in billions)
Advances Outstanding at 12/31/92	$13.2
Total Advances Made in 1993	3.2
Total Advances Paid in 1993	-4.5*
Advances Outstanding at 12/31/93	**$11.9†**

*The Advances Paid balance includes $3.6 billion in non-cash payments, but does not include $322 million in interest collections during 1993.

†The Advances Outstanding balance at 12/31/93 includes $5.1 billion in advances to conservatorships that have been resolved and will be repaid by the receiverships.

The following chart summarizes the termination of employee benefit plans during 1993:

EMPLOYEE BENEFIT PLANS

Open Plans at 12/31/92	287
Plans Added as a Result of Interventions in 1993	6
Plans Terminated During 1993	(148)
Open Plans at 12/31/93	**145**

The following chart details asset sales, collections, and other conservatorship activities during 1993:

1993 CONSERVATORSHIP ASSET SALES AND OTHER ACTIVITIES

(dollars in millions)

	1/1/93 Balance	New Institutions	Activities*			Resolutions	12/31/93 Balance
	81 Institutions	8 Institutions	Sales	Collections	Adjustments†	26 Institutions	63 Institutions
Cash and Securities	$14,081	$1,263	$ 5,262	$10,175	$12,113	$4,179	$ 7,841
1-4 Family Mortgages	9,220	1,852	4,860	1,746	1,498	925	5,039
Other Mortgages	7,689	1,704	2,915	1,053	(52)	1,029	4,344
Other Loans	2,062	485	552	1,883	1,361	149	1,324
Owned Assets	2,980	445	1,918	0	54	460	1,101
Other Assets	4,157	311	237	633	919	998	3,519
Total	**$40,189**	**$6,060**	**$15,744**	**$15,490**	**$15,893**	**$7,740**	**$23,168**

*Includes activities from all institutions in conservatorship at any time during December 1993.

†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 shows the number of thrifts placed in the RTC conservatorship program and the number of resolutions:

CONSERVATORSHIP INSTITUTIONS 1989-1993

	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‡
1993	8	26	27§
Total 1989-93	**706**	**643**	**680**

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

†Includes 21 non-conservatorship institutions resolved through ARP.

‡Includes nine non-conservatorship institutions resolved through ARP.

§Includes one non-conservatorship institution resolved through ARP.

cies and procedures to protect the RTC's interests in such matters as dispute resolution, standards on settlement completion, and clarification of sales of branch premises.

Liquidating Dividends

During the year, the RTC expanded the Accelerated Dividend Program (ADP), which began as a pilot program in October 1992. The program expedites the return of funds to the Corporation and to creditors by authorizing field office vice presidents to approve dividend cases. In 1993, cash dividends to the Corporation totaled $14.5 billion and non-cash dividends totaled $7.6 billion. From the inception of the dividend process in September 1990 through yearend 1993, the recovery to the Corporation through the program totaled $63.7 billion in cash and $51.8 billion in non-cash dividends.

Insurance Payments

During 1993, approximately 866,000 insured deposit accounts, as of date of resolution, at 27 failed thrifts were protected. Approximately 304,000 of these deposit accounts were protected through the purchase and assumption of the failed thrift by one or more acquirers. The remaining 562,000 were paid off by RTC check in a payoff (PO) transaction. Of the $5.84 billion in deposits that were involved in a PO transaction, only $10.5 million, or less than one percent of the total, were uninsured.

Creditor Claims

Essential goods and services provided to RTC 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 through yearend 1993 show that $688 million in 10,851 creditor claims were allowed, $22 billion in claims from 6,994 creditors were disallowed, and $6 million in 2,105 claims were still pending at yearend. In liquidating receiverships, $89 million in 8,060 creditor claims were allowed, while $5 billion in claims from 8,194 creditors were disallowed; $2 billion from 942 claims were still pending at yearend.

Asset Claims

From inception through yearend 1993, the RTC processed approximately 27,000 claims seeking $1.6 billion under the terms of asset sales agreements. At yearend, the RTC had approved and paid $547 million on these claims (includes repurchases and actual losses).

RTC conservatorships, receiverships, and subsidiaries place funds in reserve to cover the cost of future asset sales claims. As of December 31, 1993, the reserve account balance was approximately $1.3 billion.

Substantial enhancements were made to the Warranties and Representations Account Processing System (WRAPS) during 1993, including improved capabilities to monitor reserve account balances and to manage, update, and report asset claims activities.

Office of Investigations

The Office of Investigations examines all thrifts under the Corporation's supervision to determine the nature and amount of losses, identify possible claims, and determine potential recovery sources. When judged to be cost-effective, claims are pursued against fidelity bond companies, directors, officers, appraisers, accountants, attorneys, securities and commodities brokers, and borrowers.

The Office of Investigations assists the Professional Liability Section and other units of the Division of Legal Services in bringing claims against directors, officers, and professionals for causing losses to RTC thrifts. The office assists the Department of Justice in prosecuting criminal conduct and recovering misappropriated funds through criminal and civil forfeiture and restitution proceedings. Criminal referrals are filed with the Department of Justice on any apparent criminal activity discovered during the investigative process.

From the RTC's inception through yearend 1993, the office assisted in the recovery of approximately $695.6 million in cash from professional liability and commercial litigation, and $754.7 million from litigation involving the Drexel Burnham Lambert Group, Inc.

The following chart shows detection by the RTC, OTS, and others 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, 1993.

RESTITUTION AND CRIMINAL ACTIVITY

(from inception in August 1989 through 1993)

Number of defendants charged relating to RTC institutions	1,573
Number of convictions	1,383
Number sentenced	1,289
Number awaiting sentencing	94
Total prison time sentenced*	1,184 years, 4 months
Total number of restitution orders†	963
Total restitution ordered‡	$426,437,305
Total restitution paid§	$15,035,609

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

†This figure includes 569 federal orders and 394 state orders. Federally ordered: $419,293,663; Collected: $10,524,873. State ordered: $7,143,642; Collected: $4,510,710.

‡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. Total amount also includes a $219.7 million restitution order imposed on Charles Keating, Jr. and Charles Keating III by the Department of Justice.

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

Interagency Coordination

The Department of Justice is responsible for prosecuting criminal conduct committed by insiders and parties associated with RTC-supervised thrifts.

RTC investigators work closely with the Federal Bureau of Investigation, U.S. Attorneys' offices, the Internal Revenue Service, the Securities and Exchange Commission, the Office of Thrift Supervision, 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 savings and loans. The Office of Investigations allocates substantial investigative resources to assist the Department of Justice in pursuing criminal cases.

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 as well as those in the Accelerated Resolutions Program. The department is composed of the Office of Major Resolutions, the Office of Field Resolutions, and the Accelerated Resolutions Program.

During 1993, the RTC resolved 27 thrifts (compared to 69 in 1992, 232 in 1991, and 315 in 1990). Despite a lack of Congressional funding during most of the year, significant recoveries on asset sales and favorable economic conditions resulted in a release of unallocated reserves, making $3 billion available for resolutions. Twenty-four thrifts were resolved using these funds. The remaining three were completed without cost to the RTC. The acquirers of these three institutions assumed all of the liabilities and purchased virtually all of the assets for total premiums of $15.2 million, covering all expected losses in the institutions.

Congressional funding became available with the enactment of the RTC Completion Act on December 17, 1993. The act released $18.3 billion of funds formerly allocated by the RTC Refinancing, Restructuring, and Improvement Act of 1991, providing the RTC with the means to resolve the 63 insolvent thrifts that remained in its conservatorship program at yearend (including 8 institutions added during 1993).

The department assisted the field offices in conducting in-house asset valuation reviews for 11 of the conservatorships resolved in 1993.

The total cost of the 27 resolutions was estimated to be $1.6 billion. (The cost is estimated until all assets associated with the institutions are sold.) The resolutions provided a $300 million savings over the cost of paying off insured deposits. The gross RTC funding for these 27 institutions totaled $5.6 billion, including conservatorship advances of $138 million, for a net RTC funding cost of $5.5 billion. In 16 resolutions, all deposits were transferred to acquirers; in 10 resolutions, insured deposits were transferred to acquirers. One resolution involved the payoff of the institution's insured deposits.

Office of Major Resolutions

The Office of Major Resolutions managed the disposition of larger conservatorships, generally institutions with more than $500 million in liabilities at time of conservatorship. During 1993, the office completed six resolutions (compared to 16 in 1992, 45 in 1991, and 39 in 1990). The six resolutions involved $7 billion in deposits (compared to $17 billion in 1992, $56 billion in 1991, and $60 billion in 1990). The $264 million in premiums paid to the RTC in the six resolutions represented about 5 percent of the $5.4 billion in core deposits (non-brokered deposits with balances of $80,000 or less) that were sold. The premiums ranged from 3 percent to almost 9 percent of core deposits—higher percentages than in previous years. All but one of the resolutions involved multiple purchasers, with 23 financial institutions acquiring one or more branches or the deposits thereof. None of the six thrifts was resolved as a total payoff; however, one resolution involved paying off deposits in two branches and another resolution involved paying off the wholesale deposits, for a total of $298.5 million.

Size of Resolved Thrifts

The largest conservatorship resolution in 1993 was HomeFed Bank, FA (HomeFed), San Diego,

1993 RTC CONSERVATORSHIP AND RESOLUTION ACTIVITY

(dollars in millions)

State	Conservatorships						Balance	
	Beginning	Deposits*	Added	Deposits*	Resolved	Deposits*	Ending	Deposits*
Alabama	3	$ 1,283	0	$ 0	2	$ 161	1	$ 1,122
California	10	18,490	4	2,890	6	10,371	8	11,009
Connecticut	1	223	0	0	0	0	1	223
Florida	10	3,299	1	60	1	54	10	3,305
Georgia	3	330	0	0	1	97	2	233
Illinois	2	432	0	0	0	0	2	432
Iowa	1	712	0	0	0	0	1	712
Kansas	2	4,751	1	127	1	95	2	4,784
Louisiana	3	2,546	1	16	0	0	4	2,563
Maine	1	76	0	0	0	0	1	76
Maryland	5	2,780	0	0	1	43	4	2,738
Massachusetts	2	255	0	0	0	0	2	255
Michigan	1	547	0	0	1	547	0	0
Mississippi	1	247	0	0	0	0	1	247
New Hampshire	1	192	0	0	0	0	1	192
New Jersey	8	4,955	0	0	1	107	7	4,848
New York	1	1,073	0	0	0	0	1	1,073
North Carolina	2	802	0	0	2	802	0	0
Ohio	2	2,419	0	0	1	27	1	2,392
Oklahoma	1	710	0	0	1	710	0	0
Oregon	1	1,273	0	0	0	0	1	1,273
Pennsylvania	7	1,226	0	0	4	811	3	415
Rhode Island	0	0	1	1,699	0	0	1	1,699
South Carolina	4	564	0	0	2	326	2	238
Tennessee	1	124	0	0	0	0	1	124
Virginia	6	852	0	0	0	0	6	852
West Virginia	2	103	0	0	2	103	0	0
Total (27)	**81**	**$50,266**	**8**	**$4,793**	**26†**	**$14,253**	**63**	**$40,806**

*Deposits at quarter prior to date of conservatorship.

†Does not include 1 thrift resolved in 1993 through the Accelerated Resolutions Program.

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

1993 RESOLUTION COST AND SAVINGS BY STATE

(dollars in millions)

State	Resolved Institutions	Resolution Cost†	Estimated Savings‡
Alabama	2	$ 10	$ 5
California*	7	1,401	183
Florida	1	15	1
Georgia	1	7	6
Kansas	1	9	3
Maryland	1	3	2
Michigan	1	36	17
New Jersey	1	6	5
North Carolina	2	64	39
Ohio	1	5	1
Oklahoma	1	0	0
Pennsylvania	4	51	22
South Carolina	2	16	12
West Virginia	2	8	4
Total (14)	**27**	**$1,630**	**$300**

*Includes 1 thrift resolved under the Accelerated Resolutions Program.

†Resolution cost estimated at time of resolution.

‡This amount represents the difference between the estimated cost of the actual resolution method used by the RTC, and the estimated cost that would have been incurred had the RTC paid off the insured deposits.

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

California, with $10.2 billion in deposits, $13.9 billion in assets, and 201 offices when it was placed in conservatorship in July 1992. While HomeFed was in conservatorship, the RTC aggressively marketed the assets to downsize the institution and reduce its operating losses.

The asset sales generated sufficient cash inflows to enable the Office of Major Resolutions to sell 56 northern California HomeFed branches with $1.6 billion in deposits and $1.1 billion in mortgage loans. The branch sale, completed in January 1993, effectively reduced the ultimate cost of the resolution because operating expenses were reduced and the franchise value of the remaining 136 branches was enhanced. The RTC obtained total premiums of $35 million, or 3 percent of the $1.2 billion in core deposits. (Nine of the 201 offices were consolidated, leaving 136 offices following the branch sale.)

In the resolution of HomeFed's remaining 136 branches, completed in December 1993, the insured deposits in all branches, except the certificates of deposit in two branches, were transferred to four acquirers. The RTC sold 119 of the 136 branches to Great Western Bank, FSB, Chatsworth, California, for a premium of $151 million, or 5 percent of the $3 billion in core deposits. Three other acquirers purchased the remaining 17 branches. The combined premiums for the entire transaction totaled $164 million, or 4.7 percent of the $3.5 billion in core deposits.

Another significant major transaction in 1993 was the resolution of Cimarron Federal Savings Association (Cimarron Federal), Muskogee, Oklahoma, in May 1993. Cimarron Federal was sold to four financial institutions in an estimated no-cost transaction. The RTC obtained total premiums of $15.2 million, or 3.7 percent of the $406 million in core deposits. Acquirers purchased $421 million in assets, representing 74 percent of the assets in the institution at the time of resolution.

Office of Field Resolutions

During 1993, the Office of Field Resolutions resolved 20 conservatorships with a total of $1 billion in deposits. Two thrifts—Enterprise Savings and Loan Association, Compton, California; and First Home Federal Savings Association, Pittsburgh, Pennsylvania—were resolved at an estimated no cost to the RTC. Both were acquired by thrifts in their respective states.

During 1993, the Office of Field Resolutions conducted one insured deposit payoff of an institution in California with $50.2 million in insured deposits. The office also managed two resolutions involving two or more acquirers.

The 20 resolutions generated $44 million in premiums, or approximately 6 percent of the total core deposits at time of resolution, representing a percentage increase over 1992 field resolution premiums, which averaged 2 percent of core deposits.

Accelerated Resolutions Program

The Accelerated Resolutions Program is a joint effort between the RTC and the Office of Thrift Supervision (OTS). It was created on the premise that early intervention in a failing thrift could create significant taxpayer savings. Thrifts selected for ARP are those that the OTS Director has determined are in danger of failing, and whose financial condition would cause them to be placed in conservatorship within one year. Unlike other thrifts resolved by the RTC, those resolved through ARP are not placed in conservatorship prior to resolution.

An institution agreeing to participate in the program is marketed by the RTC and the OTS, with assistance from the thrift's own management. Once a buyer for an ARP thrift is identified, the OTS closes the thrift, places it in RTC receivership, and immediately transfers it to the waiting buyer. This process is designed to avoid the deterioration in franchise value associated with the conservatorship process.

The improved health of the thrift industry resulted in only one ARP resolution in 1993 (compared to 9 in 1992, 21 in 1991, and 4 in 1990). Amador Valley Savings and Loan Association, Pleasanton, California, with deposits totaling approximately $41.2 million, was acquired by Community First National Bank, Pleasanton, California, which paid a $1.8 million franchise premium, representing 5 percent of core deposits.

Minority Participation

The National Marketing List includes more than 350 financial institutions, investor groups, and individuals that have indicated they are minority- or women-owned, or are a minority member or a woman. Included in the list are 86 Asian American, 121 Black American, 79 Hispanic American, 46 Native American groups or individuals, and 32 women.

In 1993, Enterprise Savings and Loan Association, Compton, California, a minority-owned thrift, with $8.8 million in deposits, was acquired by a like minority-owned thrift, black-owned Family Savings Bank, FSB, Los Angeles, California, at no cost to the RTC.

Under the RTC Refinancing, Restructuring, and Improvement Act of 1991, the RTC is mandated to give certain minority preferences when no acceptable bids are received for an institution or its branches. Chase Federal Savings and Loan Association, a majority thrift in Philadelphia, Pennsylvania, with $11.9 million in deposits, was sold to a minority acquirer, United Bank of Philadelphia, Philadelphia, Pennsylvania, after no acceptable bids were received. As provided for in the legislation, the acquirer was given minority preferences to purchase the thrift and was able to purchase loans from the RTC portfolio at market value up to the amount of deposits assumed. United Bank of Philadelphia purchased $11 million in loans.

Three branches (with a total of $101 million in deposits) of Home Unity Federal Savings and Loan Association, FA, a majority thrift in Lafayette Hill, Pennsylvania, were also sold to the same minority acquirer, United Bank of Philadelphia, when no acceptable bids were received for those branches. The acquirer received minority preferences in this transaction as well and, as provided in the RTC Refinancing, Restructuring, and Improvement Act of 1991, was able to purchase loans at market value up to the amount of deposits assumed. As part of the transaction, United Bank of Philadelphia purchased $96 million in loans from the RTC at market value.

Department of Planning and Analysis

The Department of Planning and Analysis provides research, planning, and analytical services to support operations throughout the Corporation.

Office of Research and Statistics

The Office of Research and Statistics provides economic, financial, and statistical data and analysis to other offices and divisions within the RTC as well as to Congress and the public. Three sections comprise the Office of Research and Statistics: Financial Modeling and Statistics, Financial Markets and Institutions, and Cost Analysis.

The Financial Modeling and Statistics Section regularly produces reports covering virtually all facets of RTC operations for senior RTC management, Congress, other agencies, and the public. Much of this information is provided in the *RTC Review*, a monthly publication produced by the office. Internal and external ad hoc reports, analyses, charts, and tables are also prepared by the section. During 1993, the office participated in developing asset inventory and sales data, and projections for the RTC Business Plan and the 1994 Sales Goals. In its role as administrator of the Corporate Information System, the section continued to facilitate communication between users and system developers, and to oversee the system's standard operations.

The Financial Markets and Institutions Section provides policy- and economics-oriented support to the RTC. The section publishes the bi-monthly *Regional Economic Review*, which includes valuable indicators of real estate market conditions, and participates in the estimated cash recovery process (ECR) for the valuation of receivership assets. During the year, the section wrote numerous congressional testimonies, prepared the RTC Business Plan, and developed briefing materials for senior management.

The Cost Analysis Section supplies analytical support and information management in the RTC's resolutions and ECR processes. The section conducts the RTC's "cost test" for all major resolutions, and it provides technical assistance to field office personnel on field resolutions. The section maintains a resolutions database, and provides resolutions reports to RTC senior management, the Thrift Depositor Protection Oversight Board, Congress, and the GAO. With the assistance of the Financial Markets and Institutions Section, the section also conducts the quarterly ECR process for the valuation of receivership assets.

Department of Information Resources Management

The Department of Information Resources Management (DIRM) develops and manages national information systems to support RTC operations. DIRM also provides the RTC with technical support for its information systems.

The department, which consists of the Offices of Systems Development and Corporate Information, was formed in December 1993 by consolidating the two offices to integrate information systems development and operations activities, and better assist management in the RTC's downsizing operations and the transition of information systems to the FDIC.

Major activities of the department are guided by the Information Resources Management (IRM) Steering Committee, which reviews selected system projects and the IRM strategic plan and IRM budget. The IRM Steering Committee also reviews recommendations on actions requiring the attention of the RTC Executive Committee, which examines more substantial IRM expenditures and establishes strategic IRM policy.

Office of Systems Development

The Office of Systems Development creates and manages the RTC's national information systems. The office has two branches: Software Management and Business Applications Analysis.

The Software Management Branch plans, develops, implements, and maintains national information systems, and provides user training, documentation, and other support for these systems. In 1993, the branch supported the following areas using the information systems below: finance, assets, resolutions, legal services, minority and women's programs, and administration.

The Business Applications Analysis Branch focuses primarily on systems-related activities of the RTC's most visible and mission-critical systems, and particularly on the interaction of the customers that cross organizational lines and have differing or often conflicting needs and perspectives.

In 1993, the office actively developed or enhanced the RTC's corporate information systems, which include the following:

FINANCIAL SYSTEMS

Financial Management System-Accounts Payable (FMS-AP)—FMS-AP processes approved RTC invoices and is fully integrated with the RTC's General Ledger (FMS-GL). The system was implemented in March 1993.

Control Totals Module (CTM)—CTM is used to capture summary asset-related financial activity, post it to the General Ledger, and assist in reconciling the GL and subsidiary records. In 1993, three system development projects increased CTM's accuracy, and improved its data-sharing capabilities.

Invoice Processing System (IPS)—IPS is used to track the location and payment of invoices as they move through the approval process. Initially developed by the Dallas Office, IPS was implemented nationwide in 1993.

Asset Manager System (AMS)—AMS is a cash-management system that tracks income and expenses for Asset Management and Disposition Agreement (AMDA) contractors and provides automatic transfer of funds to and from contractor accounts. System enhancements to AMS in 1993 include improved reporting and editing, and a contractor data upload facility.

ASSET SYSTEMS

Real Estate Owned Management System (REOMS)—REOMS is the corporate-wide repository for information on the RTC's real estate assets. During the year, REOMS was moved from the RTC's Gaithersburg, Maryland, data center to its Virginia Square data center in Arlington, Virginia, to increase processing capacity and to reduce costs. In 1993, the REOMS Electronic Journal Interface (REJI) was implemented, providing an automated interface between REOMS and CTM.

Warranties and Representations Accounts Processing System (WRAPS)—WRAPS is used to monitor RTC activities on warranties and representations provided in asset sales. The application of new data-management and data-sharing technology (SQL Server) improved the system's data quality, timeliness, and operational efficiencies. A new accounting function was also incorporated into WRAPS, improving performance, customer interface, and data security.

LEGAL SYSTEM

RTC Legal Information System (RLIS)—RLIS is used to track RTC legal matters. The most recent version of the system, RLIS III, was developed in 1993, providing enhanced reporting and a streamlined payment review and approval process. During the year, RLIS was moved from a contractor-managed data center in Dallas, Texas, to the RTC Virginia Square data center.

MINORITY AND WOMEN'S PROGRAMS SYSTEM

Minority- and Women-Owned Business Database System (MWOB-DB)—MWOB-DB tracks the certification and verification of MWOB contractors. The system was implemented in 1993.

ADMINISTRATIVE SYSTEMS

Personnel Action Request System (PARS)—In 1993, the Office of Systems Development assisted the Office of Human Resources Management (OHRM) in conducting a major review of OHRM functions and data processing needs. The study recommended RTC implementation of the FDIC PARS, which processes and tracks requests for personnel actions. Implementation is expected to be completed by mid-1994.

National Employee Ethics Tracking (NEET)—NEET is used to capture, review, and report RTC employee financial and ethical disclosure information. The system was implemented nationwide in 1993.

Management Reporting System (MRS)—MRS tracks material weaknesses and nonconformities in RTC internal controls, and recommended solutions. The system was implemented nationwide in 1993, and was enhanced to provide key-word search capabilities.

Office of Corporate Information

The Office of Corporate Information (OCI) provides the technical infrastructure and other support for the use of corporate information resources by RTC headquarters and field offices. The office has two branches: Information Resources Management and Information Systems.

The Information Resources Management Branch administers and manages Information Resources Management (IRM) programs, including oversight of systems quality, standards, security, and internal controls. The branch also oversees IRM planning and policy formulation.

The Information Systems Branch manages the RTC's data centers, Local Area Network (LAN) and Wide Area Network (WAN) operations, and telecommunication services (voice and data).

The office operates and maintains a corporate-wide information network consisting of 12,000 work stations. In 1993, a new contract was competitively awarded to manage the WAN, which supports all network and data center systems, and capabilities such as video-teleconferencing between RTC headquarters and field offices. Contracts were also awarded to provide LAN support for RTC field offices.

In 1993, the office began implementing a plan to consolidate data center operations at the RTC's Virginia Square data center in Arlington, Virginia. To improve operational efficiency, the mainframe computer at Virginia Square was upgraded during the year. In addition to REOMS and RLIS, corporate contracting systems were moved to Virginia Square.

In 1993, the Data Quality Program was implemented to ensure that all RTC automated-systems data are complete, accurate, and timely. The branch provided technical guidance and support to RTC managers in developing and executing data-quality action plans for major information systems.

The RTC changed its long-distance telephone services from MCI to the FTS2000 network during the year. Multiple 800 numbers previously used in each of the six field office cities were replaced with a single 800 number at each site, reducing the need for operator assistance and improving call handling for better service.

In 1993, teams of OCI managers and program managers reviewed REOMS, AMS, and CTM, and determined that the three systems provide adequate safeguards and achieve their stated objectives. A risk analysis of the Virginia Square data center was also completed by the Office of Corporate Information during the year, with no material weaknesses found.

MINORITY AND WOMEN'S PROGRAMS

The Division of Minority and Women's Programs (MWP) manages and develops policy for the participation of minorities and women in all RTC activities, including contracting, purchasing assets and failed thrifts, and securitization; and equal employment opportunity activities. The division is comprised of the Departments of Minority- and Women-Owned Business; Legal Programs; Equal Employment Opportunity (EEO) and Affirmative Action; and Policy, Evaluation and Field Management.

During 1993, the division experienced significant growth. In accordance with Treasury Secretary Bentsen's management reform agenda for the RTC, which included the expansion of minority and women's programs, the RTC elevated the division from a department and increased its role in management and disposition activities, contracting opportunities, legal engagements, sales and investment initiatives, employment activities, and the thrift resolution process.

Department of Minority- and Women-Owned Business

The Department of Minority- and Women-Owned Business (MWOB) ensures that firms owned and operated by minorities and women have the maximum opportunities available to participate in all contracting activities of the Corporation, as well as at conservatorships and receiverships. During 1993, the office pursued several avenues to increase the participation of minorities and women in these activities.

In an effort to strengthen the RTC's MWOB certification process against fraud and misrepresentation, the division published a circular in July outlining the certification procedures. The MWOB department notified contractors and other affected personnel of these procedures. To support this activity, an MWOB database was created, which contains a nationwide inventory of certified MWOB firms.

To improve contracting opportunities for MWOBs, office representatives served on Technical Evaluation Panels, which evaluate proposals from prospective contractors. The staff also worked directly with contract officers and oversight managers to ensure MWOB participation in smaller contracts (those with estimated fees below $50,000), as well as with SAMDA contractors to increase MWOB participation in subcontracting activities.

Throughout the year, the office was actively involved in efforts to improve, identify, and preserve asset-acquisition opportunities for minorities, women, and investors with moderate sources of capital through participation in the Small Investor Program. The program is intended to develop greater opportunities for smaller investors.

The office also participated in the RTC's Judgments, Deficiencies, and Chargeoffs (JDC) initiative, a partnership arrangement designed to sell approximately $7 billion (book value) of judgments, deficiencies, and chargeoffs. Minority- and women-owned firms participated in the initiative as general partners, joint-venture partners, and subcontractors.

In September 1993, the office sponsored a one-day "teaming conference" in Washington, D.C., which allowed several RTC contractors and MWOB firms to meet and discuss opportunities for subcontracting, joint-venture, and other partnership arrangements. Due to the event's success, several teaming conferences, which will be held throughout the country, are scheduled in 1994.

In 1993, approximately 10,000 contracts were awarded to MWOB firms, representing more than 40 percent of all RTC contracts awarded during the year. Estimated contracting fees to the MWOB firms exceeded $155 million, or more than 30 percent of the estimated fees for all RTC contracts awarded in 1993.

Department of Legal Programs

The Department of Legal Programs establishes and implements 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 1993, while participating in the annual meetings of several legal and bar associations, the office identified and recruited MWOLFs and minority and women attorneys in non-MWOLFs to serve as outside counsel. These associations included the American

Indian Bar Association; National Bar Association; American Bar Association (which held a conference on Opportunities for Minorities in the Profession); National Association of Women Lawyers; and Hispanic National Bar Association. During the year, the office published the *National MWOLF Directory*, featuring the specific skills and expertise of RTC-approved MWOLFs.

The office sponsored several seminars during the year to facilitate the assignment of legal work to MWOLFs, provide educational sessions to MWOLFs on the RTC's outreach program, give guidance on the RTC's Professional Liability Section and Joint Representation programs, and promote communication and interaction between MWOLFs and RTC legal staff. Seminars were held in Atlanta, Denver, Philadelphia, New Orleans, and Washington, D.C. The office is also planning similar forums in 1994.

To ensure that the RTC engaged outside counsel on a competitive basis, an office representative served as a voting member of the Legal Services Committee, which selects law firms to handle RTC work. The committee operates in each field office and at headquarters.

To assist MWOLFs in becoming involved in more complex legal issues, the office—in conjunction with the Division of Legal Services—presented two national MWOLF symposiums as part of the RTC's Minority and Women Outreach Program. In June 1993, the RTC hosted the "National Workshop on the Joint Representation of RTC's Professional Liability Cases" in New Orleans. In September 1993, the RTC sponsored "An Inside Look at Legal Matters with the RTC's Division of Legal Services" in Washington, D.C., which focused on complex securities, real estate, litigation, and affordable housing issues. Several thousand attorneys and other legal professionals participated in each symposium.

The symposium objectives were to facilitate the assignment of work to MWOLFs already on the RTC's List of Outside Counsel; provide educational sessions to MWOLFs on procedural and legal issues applicable to representing the RTC in complex legal matters; provide instruction on the formation of joint-venture, joint-counsel, and co-counsel arrangements and MWOLF consortia; facilitate communication between MWOLFs and RTC legal staff; and promote interaction between MWOLFs and non-MWOLFs.

In 1993, the RTC made 11,417 referrals to MWOLFs for legal work with the RTC, or 56.9 percent of all referrals to outside counsel, and paid them fees totaling $53.8 million, or 15.9 percent of all fees paid to outside counsel during the year.

Department of Equal Employment Opportunity and Affirmative Action

The Department of Equal Employment Opportunity and Affirmative Action provides leadership and guidance to the Corporation in all areas of the equal employment opportunity program. During 1993, the department expanded recruitment efforts to target and increase the representation of minorities and women in the work force at headquarters and in the field.

These increased recruitment efforts supported items in the RTC's Affirmative Action Program plan. As a part of the plan, headquarters and the field offices established numerical objectives to improve the representation of minorities, women, and individuals with disabilities at senior-grade levels. These offices reported quarterly on their accomplishments, and updated their numerical objectives as staffing needs changed.

The office monitored the success of the offices in attaining their numerical objectives by reviewing EEO efforts in the referral and selection processes. As opportunities for hiring and promotions occurred, all selections at the grades 13 and above in "major mission" occupations were reviewed by the department before the selections were finalized. EEO Action Officers also reviewed selections to assist offices in meeting their EEO objectives.

The department oversaw the EEO Committees in the six field offices, assisting them in both meeting EEO objectives and raising the awareness and sensitivity of RTC managers and employees on EEO matters. The committees sponsored several programs during the year that enhanced diversity and awareness.

Department of Policy, Evaluation, and Field Management

The Department of Policy, Evaluation, and Field Management develops nationwide program standards, policies, and procedures for the RTC's minority and women's programs, ensuring that they are in compliance with FIRREA; the RTC Funding Act of 1991; the RTC Refinancing, Restructuring, and Improvement Act of 1991; and the RTC Completion Act of 1993. The department ensures standardized implementation of minority and women's programs throughout headquarters and in the field offices.

In 1993, the department expanded its role to include oversight of business, legal, and equal employment opportunity programs at headquarters and in the field. The office defined 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 of the six field offices to determine their programs' adherence to MWP policies and requirements.

During the year, an interim final rule—"Minority- and Women-owned Business and Law Firm Program" (12 CFR, Part 617)—was revised, providing the foundation for uniform implementation of the MWOB and MWOLF programs. It also triggered the development and revision of policies, procedures, and other guidelines necessary for consistent program delivery. The original version of the rule was published for public comment in 1992. Provisions in the RTC Completion Act intended to increase participation of minorities and women in all facets of the RTC's operations necessitated changes to the rule. These revisions will be circulated internally for review for compliance with the provisions of the act.

The department closely tracked, evaluated, and reported to the U.S. Congress on the implementation of the RTC's MWP activities during 1993. In addition, it coordinated with the Office of Administrative Evaluation to establish "assessable units" (standards to measure program performance) as part of the Corporation's Internal Controls Program.

The office increased the RTC's use of advertisements targeting minorities and women. During the year, the division also expanded its advertising in the minority press and teamed with the National Asset Marketing Group in its efforts directed at minority investors. In 1993, advertisements were placed in more than 40 publications aimed at minorities and women.

During the year, the office participated in meetings, conferences, and seminars representing Hispanic, Black, Indian, Asian, and women's groups, which significantly increased the promotion of the RTC's programs to involve minorities and women while furthering the RTC's outreach efforts.

Throughout 1993, the office focused on developing regulations to assure uniform implementation of MWOB and MWOLF programs; tracked contracting activity and program performance; drafted procedures to implement contractor oversight; and prepared reports on program accomplishments for RTC management, Congress, and the general public.

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 Field Activities, Capital Markets, Asset Marketing, Affordable Housing, and the Small Investor Program. During 1993, RTC asset sales and collections totaled $49 billion (net of putbacks). From inception through 1993, asset sales and collections amounted to $353 billion (net of putbacks); book value reductions totaled $393 billion for the same period. The asset inventory remaining at yearend 1993 totaled $63 billion.

Department of Field Activities

The Department of Field Activities coordinates national sales efforts and oversees field office sales and operations. The department also develops and implements 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 Management, Settlement Workout, Systems and Pipeline Management, and Field Activities.

Office of SAMDA Program Management

The Office of SAMDA (Standard Asset Management and Disposition Agreement) Program Management issues and monitors all SAMDAs, which totaled 187 from inception of the SAMDA program in August 1990 through yearend 1993. At yearend, 91 SAMDA contractors were managing assets with a total book value of approximately $10.9 billion.

From August 1990 through December 1993, SAMDA contractors managed assets with a total book value of $37.6 billion and disposed of 71 percent, or $26.7 billion, of those assets.

In 1993, the office developed procedures for SAMDA and other RTC contractors to complete their contractual obligations before the contracts' scheduled expiration dates. The office also implemented internal control review procedures to strengthen controls over cash management, systems maintenance, subcontracting oversight, and management and disposition fee calculations.

Office of Asset Management

The Office of Asset 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 1993, the office developed the Loan Servicer Oversight Program to monitor and oversee all types of RTC loan servicing. The office also developed the RTC Property Tax Management Program to maximize real property tax savings through timely real estate appraisals and property tax appeals.

During the year, the office implemented procedures developed in 1992 to originate seller-financing loans for commercial REO and servicing notes, and equity interests acquired from multiple asset sales and multiple investor funds. In 1993, the RTC closed approximately $1.6 billion in commercial seller-financed transactions. From inception of the program in March 1991 through yearend 1993, the RTC closed approximately $3.1 billion in commercial seller-financed transactions.

The office also completed the sale of 17 environmentally significant properties, with a total book value of $130.6 million, to conservation agencies and organizations for the protection of approximately 6,062 acres.

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 1993, the office's 23 settlement workout assistance teams restructured, sold, or worked out approximately $2 billion in problem assets; total settlement value on these assets was $951 million. Another $2.9 billion in assets were under review by the office at yearend 1993.

Office of Systems and Pipeline Management

The Office of Systems and Pipeline 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), the Asset Manager System (AMS), and the Subsidiary Information Management System (SIMAN).

During 1993, the data integrity of REOMS improved from 47 percent to 98 percent (based on computerized assessments of the data). An automated clearinghouse was implemented for 67 percent of the RTC's outstanding contracts, with improved funding controls and cash management. In addition, the office established the Central Loan Database to track all RTC sales initiatives.

Office of Field Activities

The Office of Field Activities oversees the asset management and sales operations in the six field offices, which manage assets primarily through SAMDA contracts; manages and disposes of RTC thrift subsidiaries; and oversees the field responsibilities of the RTC's self-insurance program.

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

During 1993, the office worked closely with the field offices in completing the closure of seven RTC offices, located in Baton Rouge; Chicago; Houston; Phoenix; San Antonio; Somerset, New Jersey; and Tampa. At yearend, six field offices remained open in Atlanta, Dallas, Denver, Kansas City, California, and Valley Forge.

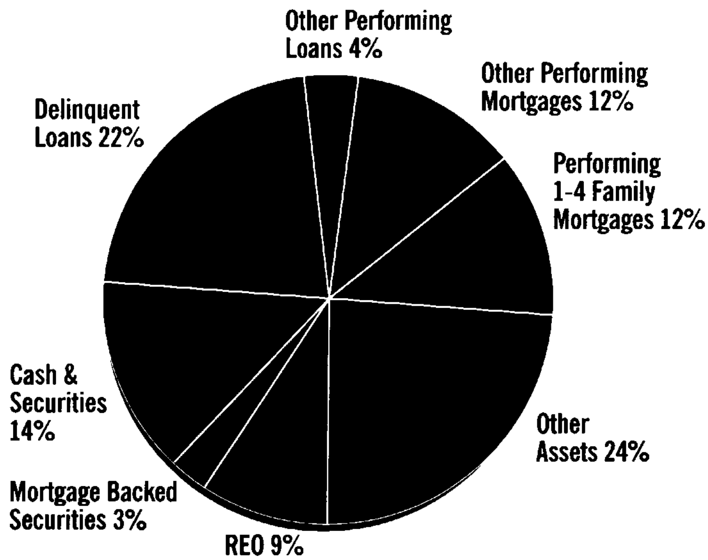
In July 1993, the office coordinated a functional reorganization within each field office.

Department of Capital Markets

The Department of Capital Markets plans, coordinates, and directs RTC capital markets transactions.

CONSERVATORSHIP AND RECEIVERSHIP ASSETS UNDER RTC MANAGEMENT AS OF DECEMBER 31, 1993

(percentage of gross assets)



Total Assets: $63 Billion

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 Office of Securities Transactions, and the Office of Securitization.

Office of Securities Transactions

The Office of Securities Transactions sells securities acquired through RTC interventions and manages the reinvestment of the RTC's cash. The types of securities offered include junk bonds, equity securities, U.S. Treasury obligations, federal agency and mortgage-backed securities, limited partnership interests, and nationally syndicated bank loans.

From inception of the securities sales program in March 1990 through yearend 1993, the RTC sold over $62.5 billion of securities, including $9 billion of interest-rate swaps and nearly $9 billion in junk bonds, recovering approximately 65 cents on the dollar for the taxpayers.

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

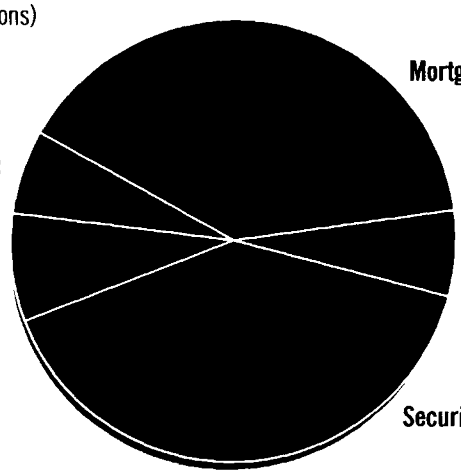
Office of Securitization

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

In 1993, the office used the Multiple Investor Fund, and the N-Series and S-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. The S-Series is part of the RTC's Small Investor Program (SIP); SIP's smaller offerings are specifically geared to investors with moderate capital levels.

1993 ASSET SALES AND COLLECTIONS— CONSERVATORSHIPS, RESOLUTIONS AND RECEIVERSHIPS

(dollars in billions)



Total Sales and Collections: $49 Billion (net of putbacks*)

*Putbacks totaled $105 million in 1993. Putbacks include some assets returned pre-1993 resolution sales.

Through the securitization program, approximately $3.8 billion (book value) in performing loans were sold in 1993. Five transactions were collateralized by $1.6 billion in performing single-family mortgages; three transactions were collateralized by $2.2 billion in performing commercial and multi-family mortgages.

Another $4.1 billion (book value) in non-performing commercial and multi-family mortgage loans were sold in 1993. Three N-Series transactions accounted for $1.7 billion of these assets; two S-Series transactions accounted for $.2 billion of the assets. The remaining $2.2 billion in assets were sold through Multiple Investor Fund transactions in 1993.

From inception of the securitization program in June 1991 to yearend 1993, over $36.6 billion in assets were securitized, including single-family, multifamily, and commercial mortgages, and commercial and consumer loans.

Department of Asset Marketing

The Department of Asset Marketing coordinates all marketing programs supporting the sale of RTC assets. The department consists of the Office of National Marketing and the National Sales Center, which coordinate the asset marketing functions between Washington and the six field offices.

Office of National Marketing

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

In 1993, the office designed and placed advertisements in more than 275 publications, saving approximately $1.5 million through direct placement of the ads. The office also supported the Small Investor Program, developing the initial advertising campaign and creating brochures for the program.

During the year, the office increased direct mail efforts to support sales initiatives and RTC programs coordinated by the Small Investor Program and the Affordable Housing Disposition Program. More than 120,000 pieces of direct mail were produced and delivered throughout the year.

In 1993, the National 1-800 Telemarketing Program, developed by the office in 1991, continued to provide the general public with information about RTC offerings. From the program's inception through yearend 1993, over 1.6 million calls were received on the Affordable Housing Hotline, Broker Hotline, Small Investor Program Hotline, and Information Center Line. The Small Investor Program Hotline was added in June 1993 to help respond to the needs of investors with moderate capital levels.

The large number of callers enabled the office to build a substantial investor database in 1993 to assist in direct marketing efforts. Information about investor preferences was used to match investors with auctions and sealed bids.

In addition, the office increased the number of investors listed on the National Asset Marketing Application from 11,500 to 19,000 in 1993. The list serves as the primary marketing source for field and national sales campaigns and event announcements.

National Sales Center

The National Sales Center plans, coordinates with the field offices, 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 Sales Center develops marketing-related data, develops and implements new sales strategies to dispose of assets, and conducts nationwide auctions of real estate and loans.

In 1993, the Sales Center was involved in a number of notable sales transactions. The RTC completed the sale of the first National Land Fund, a $.8 billion innovative partnership structure in which the RTC retains a limited partnership interest and shares in the appreciation of land assets.

The Sales Center also participated with all the field offices in conducting two national non-performing loan auctions in Kansas City, Missouri. In the March 1993 auction, approximately 18,000 loans with a total balance of approximately $503 million were sold, yielding a $249 million recovery. In the August 1993 auction, 11,200 loans with a total balance of $670 million were sold, for a total recovery of $335 million.

The office also established the partnership structure for the Judgments, Deficiencies, and Chargeoffs (JDC) initiative, a partnership arrangement designed to sell approximately $7 billion (book value) of judgments, deficiencies, and chargeoffs. The JDC initiative was envisioned to create up to 30 partnerships to receive approximately 70,000 assets with an aggregate principal amount of $7 billion. In 1993, 23 winning bidder teams were selected to participate in the JDC Program. Additional teams will be selected in 1994.

In addition, during 1993 approximately $6.9 billion in mortgage-servicing rights were sold through 32 portfolio sales and four subsidiary sales.

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.

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.

Under the Affordable Housing Disposition Multifamily Program, multiple-unit dwellings must initially be marketed exclusively to low-income housing providers who agree to reserve at least 35 percent (15 percent for low-income individuals and families, and 20 percent for very low-income individuals and families) of the units at restricted rent levels for the remaining useful life of the property (40 to 50 years).

In 1993, 3,589 single-family properties were sold through the affordable housing program for a total of $96 million. From the program's inception in 1990 to yearend 1993, 20,197 single-family properties were sold for a total of $553 million. These properties were offered primarily through auctions and sealed bids.

In 1993, 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	Property	Sales Price
Region III Housing Authority Las Lunas, NM	Casa De Chavez Apts. Las Lunas, NM	$ 500,000
Reno Housing Authority Reno, NV	7th Street Apts. Reno, NV	180,000
Round Rock Housing Authority Round Rock, TX	Main St. Square Apts. Round Rock, TX	1,095,000
Housing Authority of the City of Del Rio Del Rio, TX	Oakwood Apts. Del Rio, TX	528,000
City of Temple Housing Authority Temple, TX	2 Properties: Raintree Apts. Temple, TX; Creekside Apts. Temple, TX	1,604,000
City of Houston Housing & Community Development Houston, TX	3 Properties: Bellfort Southwest Phase Houston, TX; Tara Hall Apts. Houston, TX; Bellfort Southwest III Houston, TX	1,583,000
City of Lubbock Housing Authority Lubbock, TX	2 Properties: Normandy Apts. Lubbock, TX; Lexington Royal Apts. Lubbock, TX	316,000
City of San Antonio Housing Authority San Antonio, TX	2 Properties: Castle Point Apts. San Antonio, TX; Burning Tree Apts. San Antonio, TX	2,780,000
City of San Marcos Housing Authority San Marcos, TX	2 Properties: Windmill Plaza San Marcos, TX; Langtry Apts. San Marcos, TX	1,026,000
Colorado Springs Housing Authority Colorado Springs, CO	2 Properties: Heatherwood Club Apts. Colorado Springs, CO; Firtree Apts. Colorado Springs, CO	2,250,000

continues on page 43

During the year, 26 affordable housing sales events were held. Since the program's inception, over 235 affordable housing sales events have been held in 32 states. Sixty-one percent of the purchasers were from lower-income families, those with average incomes of $21,866, or less than 80 percent of the national median income. The average sales price of a single-family home in the program was $27,383.

The RTC provided seller financing for 1,225 single-family homes sold under the affordable housing program in 1993. From the program's inception through yearend 1993, the RTC provided seller financing for 4,339 single-family homes, or 21 percent of the total sold. Purchasers of single-family homes utilized $58 million of RTC-sponsored mortgage revenue bonds.

In 1993, 151 multi-family affordable housing properties were sold for a total of $81 million; the RTC provided seller financing for 70 of the properties. From the program's inception through 1993, the RTC sold 575 multi-family affordable housing properties, containing 53,358 units, for a total of $604 million.

The RTC may donate properties with no reasonable recovery value to non-profit organizations and public agencies that agree to make these properties available for low-income housing and other public uses. From inception of the affordable housing program through yearend 1993, 647 properties with no reasonable recovery value were made available for conveyance to non-profit organizations and public agencies. Of those, 211 were conveyed in 1993.

Department of the Small Investor Program

The Department of the Small Investor Program (SIP), created in April 1993, is responsible for ensuring that the RTC's assets are offered for sale individually and in pools to investors with moderate capital levels. In 1993, SIP offices were established in the Washington, D.C., headquarters office and in each of the six field offices, with staff dedicated to addressing the needs of investors with moderate financial capabilities.

Under the program, all RTC loan and real estate assets not previously committed to scheduled events are actively marketed individually for a minimum of 120 days. Individual real estate assets are offered through localized auctions and small loan pool offerings, as well as through the real estate brokerage community. To increase the participation of small investors, bidder entry deposits for loan sales were lowered.

During 1993, the department held several buyer awareness seminars in advance of sales events to help local and regional investors learn about the Small Investor Program. More than 16,000 investors participated in the seminars throughout the year.

The department also worked with the Office of National Marketing to expand the investor database to include investors in the moderate-capital range. By yearend, 4,106 such investors had completed the RTC Investor Profile and were registered in the Small Investor Database. Of this total, 969 investors indicated minority status and 799 investors identified themselves as minority- or women-owned firms.

The department established a toll-free Small Investor Program Hotline to provide information, brochures, calendars, and property listings on assets offered through SIP.

The August 24 and 25, 1993, National Non-Performing Loan Auction in Kansas City, Missouri, was the first auction in which the SIP program actually participated. One-third of the winning bidders had not previously participated in an RTC national non-performing loan auction.

In 1993, the program also introduced the S-Series, an initiative similar to the RTC's N-Series, designed to dispose of sub-performing and non-performing commercial loans through a leveraged trust. The S-Series targets investors with moderate capital levels by reducing the investor's equity requirement to $4 million to $9 million.

The first 1993 S-Series initiatives, 1993-S1 and 1993-S2, offered investors a portion of equity in a total of 132 non-performing commercial and multifamily assets with an aggregate book value of $186.6 million. Nine qualified investors submitted bids for the 49 percent equity portion of 1993-S1, which pooled 44 non-performing loans secured by commercial and multi-family projects in Florida and Texas with a total book value of $74 million. Seven qualified investors submitted bids for 49 percent of the equity portion of 1993-S2, which pooled 88 non-performing commercial and multi-family mortgage loans secured by real estate in New Jersey, Ohio, and Oklahoma with a total book value of $112.2 million.

After closing the S1 and S2 transactions, the program transferred responsibility for the S-Series to the field offices, with oversight retained by the National Sales Center and the Office of Securitization. The first field S-Series transaction, 1993-S3, was conducted by the RTC's Kansas City Office in 1993. Seven qualified investors submitted bids for the 49 percent equity portion of 1993-S3 (re-named 1994-S1), which pooled 86 commercial loans secured by real estate in Kansas, Missouri, Oklahoma, Ohio, Illinois, and Michigan with a total book value of $99.8 million.

PROPERTIES SOLD TO STATE AND LOCAL HOUSING AUTHORITIES

continued from page 42

Housing Authority	Property	Sales Price
Colorado Housing and Finance Authority Denver, CO	7 Properties: Hyland Park Center Federal Heights, CO	$18,180,000
	Altamira Apts. Colorado Springs, CO	
	Summit Apts. Colorado Springs, CO	
	Vista Verde Townhomes Hayden, CO	
	1467 Detroit Street Denver, CO	
	Bronzetree Apts. Colorado Springs, CO	
	Westree Apts. Colorado Springs, CO	
Pima County Housing Authority Phoenix, AZ	4 Properties: Casa Castillo Phoenix, AZ	1,118,000
	Christy Apartments Phoenix, AZ	
	Sunset North Apts. Phoenix, AZ	
	Whispering Willows Phoenix, AZ	
Central City Housing Development Corporation New Orleans, LA	2416-18 Rex Place New Orleans, LA	1,000
Las Cruces Housing Authority Las Cruces, NM	Jennings University Blvd. Las Cruces, NM	418,000
Selma Housing Development Corporation Selma, AL	215 Mabry Street Selma, AL	4,000

CHIEF FINANCIAL OFFICER

The Division of the Chief Financial Officer was established in 1993 in response to Treasury Secretary Bentsen's RTC Management Reform Agenda, which included a recommendation calling for an independent Chief Financial Officer (CFO). The division began operations on June 1, 1993, with President Clinton's appointment of Donna H. Cunninghame as the CFO.

The division oversees financial management activities relating to the RTC's programs and operations, including field and corporate accounting, the RTC budget, cash-management activities, financial reporting, internal controls, and audit follow-up. The division is comprised of the Offices of Accounting Services, Budget and Planning, Field Accounting and Asset Operations, and Management Control.

One of the most significant achievements during the year was the efforts of division personnel which resulted in the RTC's receipt of an unqualified opinion on its financial statements from GAO for the second consecutive year.

Office of Accounting Services

The Office of Accounting Services performs the corporate accounting functions for the RTC. The office produces and maintains the RTC corporate accounting records and related 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 1993, the office continued to record and reconcile all corporate accounting transactions to ensure the highest level of data integrity and consistency in the RTC General Ledger, the Corporation's official accounting system.

The office completed implementing the RTC Accounts Payable System, establishing uniform controls and procedures for the disbursement of RTC funds, and eliminating the previously separate field and corporate accounts payable systems. A vendor maintenance group was established as the sole authority to review and establish authorized vendors; from the group's inception in March 1993 through yearend 1993, 17,000 vendors were authorized and more than 88,000 payments totaling approximately $1.5 billion were processed.

The office managed the appropriated funds received from the U.S. Treasury, and the borrowings from and repayments to the Federal Financing Bank, which provides loans to federal agencies for working capital purposes. In 1993, the office oversaw the net paydown of Federal Financing Bank principal borrowings by $6.7 billion. Interest costs in 1993 were $1 billion, compared with 1992 interest costs of $1.9 billion. The office also managed the disbursement of initial funding for the resolution of failed savings associations.

The office prepared RTC official financial information for both internal and external sources, responding to inquiries from Congressional committees, the Thrift Depositor Protection Oversight Board, RTC senior management, and the general public.

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.

In 1993, the office completed enacting changes initiated in 1992 to accommodate the maturing operations of the RTC. The budget model was refined to further aid budget forecasting and RTC Business Plan preparation, budget reports were expanded to include both revenues and expenses, and newly designed performance measurement reports were initiated to assess program performance in resource consumption.

The Budget Information System, which is used for data collection, analysis, and reporting on the RTC budget, was enhanced to include additional estimation capabilities and a full range of budget execution reports. The office also assisted in enhancing the design and implementation of the Corporate Information System and the Financial Management System, including the General Ledger and the Accounts Payable System.

The office added staff in the field offices to expand reporting and analysis capabilities and to provide more direct assistance to field budget activities.

In 1993, RTC non-interest operating expenses totaled $2.9 billion. Of this amount, outside services accounted for 53 percent, receivership real estate accounted for 23 percent, and employee compensation accounted for 14 percent. In 1993, the RTC's staff decreased by 627 employees, a nine percent reduction from the beginning of the year.

Office of Field Accounting and Asset Operations

The Office of Field Accounting and Asset Operations directs and manages all asset and field accounting operations in support of RTC asset sales, management, and disposition activities. The office acts as a liaison between the headquarters and field offices for financial and related asset-management activities; and coordinates with the RTC's four financial service centers in Atlanta, Dallas, Denver, and Kansas City to ensure their compliance with procedures relating to asset and accounting functions.

In 1993, all asset operations were consolidated into the RTC's financial service centers to improve efficiency in financial service center operations. A standard service contract for three of the financial service centers was developed and finalized, providing a uniform scope of work, tasks, performance criteria, budget, and expense and performance reporting requirements. The National Sales Support Office was also created at headquarters to provide accounting and asset operations support for special sales initiatives.

The office directs a national cash-management program for receiverships that has an average monthly balance of $4 billion; monitors a national internal financial controls program; develops tax and accounting policies; conducts nationwide training for accounting and asset operations staff; and provides management reporting of the RTC's performance on asset sales, asset management, and productivity and efficiency.

During the year, the office directed the day-to-day accounting operations for assets retained from resolved thrift institutions, which totaled $40 billion (book value) from 680 institutions at yearend 1993. The office also processed $33 billion in asset sales and collections in 1993 through securitization, multiple investor funds, structured transactions, auctions, N-Series transactions, National Land Fund sales, and other sales initiatives.

As part of the office's fiscal integrity maintenance program, an electronic journal entry interface, which automatically reconciles financial information, was implemented between the Real Estate Owned Management System and the General Ledger. In addition, an automated reconciliation facility was established to reconcile differences between General Ledger balances and balances received from loan servicers. A Loan Servicing Oversight Program was designed to detect and prevent waste, fraud, and abuse by the RTC's loan servicers.

Two key organizations were created in the RTC's financial service centers in 1993: Documentation Control Units, which enforce documentation requirements for each type of RTC business/financial transaction; and Quality Assurance Units, which are responsible for internal-control implementation and proper audit management and follow-up within the financial service centers.

Office of Management Control

The Office of Management Control was created in 1993 (its functions were originally part of the Office of Administrative Evaluation in the Division of Administration and Corporate Relations). The office assists the Chief Financial Officer in developing policies relating to internal control programs; administers the Corporation's established internal control and audit follow-up programs; serves as liaison with internal and external auditors; administers the process of resolving audit issues and recommendations; reports to management on the status of corrective actions; prepares the annual report on the status of internal controls throughout the RTC on behalf of the CFO; and participates in monitoring the Corporation's compliance with the Chief Financial Officers Act of 1990 and associated policies of the RTC Thrift Depositor Protection Oversight Board.

In 1993, several major internal control review initiatives were implemented to improve the control systems utilized by the RTC. The Management Reporting System was put into effect, which records, monitors, and reports to management on the status of audit findings and recommendations issued by the General Accounting Office and the RTC's Office of Inspector General, and recommendations contained in internal reports. Nationwide training on internal controls and audit follow-up was also provided during the year to more than 1,000 headquarters, field management, and senior employees.

The office redefined and improved the Internal Review Program at all field offices to include proactive reviews and to ensure that corrective actions are taken; and trained regional Internal Review Specialists in the use of the newly implemented Management Reporting System to ensure that audit follow-ups are completed.

During the year, the office coordinated with and assisted various RTC offices in preparing responses to 60 General Accounting Office and 260 Office of Inspector General ongoing and completed audits, investigations, and hotline cases. The office also coordinated 65 internal control and program compliance reviews, primarily of field offices.

REGULATIONS

Final Rules

Privacy Act Regulations

PUBLISHED JANUARY 6, 1993
EFFECTIVE DECEMBER 21, 1992

The RTC adopted a regulation 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 sets forth procedures to be used in requesting records from the RTC or appealing denials of access to corporate records, the procedures for contesting the content of records, and the identification of records that are exempt from the access, amendment, and disclosure accounting provisions of the Privacy Act. The regulation also establishes a fee schedule for the duplication of corporate records, and establishes a minimum amount under which fees will not be charged.

Program Fraud Civil Remedies and Procedures

PUBLISHED JUNE 30, 1993
EFFECTIVE JULY 30, 1993

The RTC adopted rules to implement the Program Fraud Civil Remedies Act of 1986. The rules 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.

Procedures Applicable to RTC Investigations

NOVEMBER 5, 1993

The RTC adopted a regulation establishing procedures applicable to the conduct of RTC investigations that involve the exercise of powers established in section 8(n) of the Federal Deposit Insurance Act, as amended. The RTC is authorized to exercise such investigatory powers in carrying out its statutory obligations to resolve failed savings associations.

Interim Rules

Employee Responsibilities and Conduct

FEBRUARY 12, 1993

The RTC adopted an interim rule requiring compliance with the Office of Government Ethics Regulations on Confidential and Public Financial Disclosure, Standards of Conduct, and Post-Employment Rules as applied to Federal Employees (OGE Regulations). The rule revokes those sections of the RTC's regulation on Employee Responsibilities and Conduct that conflict with or are superseded by the OGE Regulations and reaffirms those sections of its regulation on Employee Responsibilities and Conduct not in conflict with or superseded by the OGE Regulations.

Service of Process Upon the Resolution Trust Corporation

APRIL 8, 1993

The RTC adopted an interim rule designating the officers upon whom service of process may be made when the RTC is sued in its receivership, conservatorship, or corporate capacities.

Policy Statement

Amended Statement of Policy on Contracting With Firms That Are Parties to Lawsuits With the RTC/FDIC

PUBLISHED NOVEMBER 23, 1993
EFFECTIVE NOVEMBER 10, 1993

In July 1992, the RTC adopted a statement of policy setting forth the facts to be considered in determining whether the RTC would do business with a firm that was being sued by it, the Federal Deposit Insurance Corporation, or the Federal Savings and Loan Insurance Corporation. Under this policy statement, as a general matter, the RTC will not do business with entities that are defendants in these actions. In making this determination, however, the RTC will consider a number of factors, including, but not limited to: the number of lawsuits, the total amount claimed, the number of individuals or offices named, and the type of misconduct alleged.

On November 10, 1993, the RTC's Executive Committee amended the policy to permit the RTC to apply these same factors to determine whether an entity can do business with the RTC when the RTC has authorized its counsel to sue this same entity, but the proposed litigation has not yet been filed.

FINANCIAL STATEMENTS AND INTERNAL CONTROLS

GAO

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

Comptroller General
of the United States

B-240108

June 27, 1994

To the Thrift Depositor Protection
Oversight Board
Resolution Trust Corporation

We have audited the Resolution Trust Corporation's accompanying statements of financial position as of December 31, 1993 and 1992, and the related statements of revenues, expenses, accumulated deficit, and cash flows for the years then ended. We found:

-- The Corporation's financial statements referred to above were reliable in all material respects.

-- Internal controls as of December 31, 1993, were effective in safeguarding assets against unauthorized acquisition, use, or disposition; assuring the execution of transactions in accordance with management's authority and material laws and regulations; and assuring that there were no material misstatements in the financial statements. While we identified several internal control weaknesses, we do not consider them to be material weaknesses.[1] Our findings were consistent with the

[1]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. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal controls that, in the auditor's judgment, could adversely affect an entity's ability to (1) safeguard assets against loss from unauthorized acquisition, use, or disposition, (2) ensure the execution of transactions in accordance with management's authority and in accordance with laws and regulations, or (3) properly record, process, and summarize transactions to permit the preparation of financial

results of the Corporation's review of internal controls included in appendix III.

-- There was no material noncompliance with laws and regulations we tested.

-- The Corporation adequately addressed the material weakness and reportable conditions we identified in our 1992 audit.[2]

Presented in the following section are significant matters considered in performing our audit and forming our opinions. This report also discusses in more detail each of the above audit conclusions, our recommendation for improving the Corporation's internal control structure, and the Corporation's comments on our report. Appendix I discusses the scope of our audit. Appendix II presents the Corporation's financial statements. Appendix III presents the results of the Corporation's evaluation of its internal controls. Appendix IV presents the internal control weaknesses we identified in 1992 and the Corporation's progress in addressing these weaknesses. The Corporation's written comments on a draft of this report are included in appendix V.

SIGNIFICANT MATTERS

The following information is presented to highlight (1) uncertainties that could affect the Corporation's loss estimates, (2) the potential impact of controls over contractor performance on recoveries from receiverships, and (3) the current status of the Corporation and its funding.

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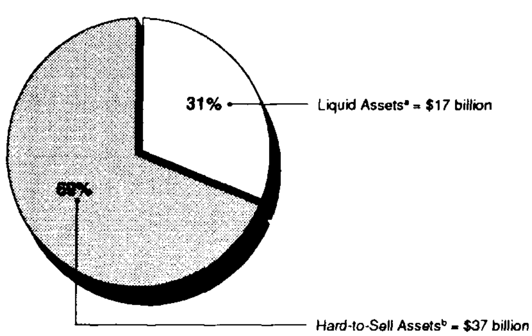
statements and to maintain accountability for assets. Reportable conditions which are not considered to be material nevertheless represent significant deficiencies in the design or operation of internal controls and need to be corrected by management.

[2] Financial Audit: Resolution Trust Corporation's 1992 and 1991 Financial Statements (GAO/AIMD-93-6, June 30, 1993) and Financial Audit: Resolution Trust Corporation's Internal Controls at December 31, 1992 (GAO/AIMD-93-50, September 28, 1993).

Uncertainties Affect Estimated Recoveries From Receiverships and Costs of Future Resolutions

Although the Corporation used an appropriate methodology for estimating the recovery value of receivership assets and has used 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 shown in figure 1, the Corporation's receiverships and conservatorships held $54 billion in assets as of March 31, 1994, of which 31 percent were performing 1-4 family mortgages and cash and investment securities. The remaining 69 percent were delinquent loans, real estate owned, other assets, other mortgages and loans, and investments in subsidiaries of failed thrifts and are considered hard-to-sell by the Corporation. It is particularly difficult for the Corporation to predict the recovery value and timing of sales for these hard-to-sell assets. Typically, if assets sell later or for less than predicted, the Corporation's costs will be higher than estimated. Conversely, higher or earlier recoveries would typically lower the Corporation's final costs.

Figure 1: Conservatorship and Receivership Assets as of March 31, 1994 (Total assets = $54 billion)



[a]Liquid assets include performing 1-4 family mortgages and cash and investment securities.

[b]Hard-to-sell assets include delinquent loans, real estate owned, other assets, other mortgages and loans, and investments in subsidiaries of failed thrifts.

As discussed in note 15 to the financial statements, the Corporation has set aside a portion of the proceeds from securitization transactions to cover future credit losses with respect to the underlying loans.[3] 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.[4] As of December 31, 1993, the Corporation's loss allowances for resolved and unresolved institutions included $1.5 billion for the expected cost of future securitization credit losses and $1.2 billion for claims arising from the representations and warranties. Although the Corporation used the best available information to estimate securitization credit losses and future losses arising from representations and warranties, significant uncertainties exist.

The Corporation's claims experience to date has been limited, raising the risk that as additional experience is gained, the amount of future losses may significantly increase or decrease. 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 higher or lower credit and claims losses than currently estimated.

Controls Over Contractor Performance Could Affect Recoveries From Receiverships

Weak operating controls could impact the estimated recoveries from receiverships included in the Corporation's financial statements. These operating controls, though not included in the scope of internal controls objectives assessed as part of

[3]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.

[4]These contracts convey the right to service mortgages, which includes collecting loan payments and controlling mortgage escrow funds.

GAO's financial audit, were considered as part of GAO's other audits and reviews of the Corporation's operations. In response to previously reported weaknesses, the Chairman of the Thrift Depositor Protection Oversight Board announced a management reform agenda in March 1993, which included requirements that the Corporation strengthen its internal controls.[5] The specific reform items dealt with improving internal controls in several operational areas as well as financial accounting and reporting controls.

The Corporation has taken steps to enhance its operating controls during 1993, including oversight of contractors that perform services for receiverships. However, audits of some contractors are continuing to identify contractor performance problems, such as poor asset management and disposition practices and questionable billings, which could result in increased expenses or reduced recoveries on assets.[6] The estimated recoveries from receiverships included in the Corporation's financial statements include the results of cash received and disbursed by receiverships during the year. However, because of contractor performance problems, the Corporation cannot be sure that it is recovering all it should from its receiverships.

During 1993, GAO issued a total of 22 reports resulting from its audits and reviews of the Corporation's operations, a number of which address contractor performance problems.

Funding and Current Status of the Corporation

For each institution it resolves, the Corporation calculates the amount it will have to pay to cover depositor claims and then estimates how much of that cost it will recover from the sale of the failed institution's assets. The amount expected to be recovered is borrowed from Treasury's Federal Financing Bank (FFB) and is considered working capital. The portion not recoverable is a loss to the Corporation and must be covered with loss funds.

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[5]In December 1993, similar requirements were legislatively mandated in the Resolution Trust Corporation Completion Act.

[6]Resolution Trust Corporation: Oversight of SAMDA Property Management Contracts Needs Improvement (GAO/GGD-94-5, November 30, 1993).

Table 1: Estimated Loss Funding Needs as of December 31, 1993 (Dollars in billions)

Receiverships	$ 82
Conservatorships and probable failures	9
Possible failures	1
Total	**$ 92**

The Corporation's December 31, 1993, financial statements, and the related notes, show total loss funding needs of $92 billion to complete the resolution of all receiverships, conservatorships, and institutions for which it is probable or possible that government assistance may be required on or before March 31, 1995.[7] Based on figures presented in the financial statements, $82 billion has been used to resolve the 680 institutions closed as of December 31, 1993, and an estimated $10 billion will be used to resolve the 63 institutions in conservatorship, 4 institutions considered probable failures, and the 18 institutions considered possible failures before the Corporation's authority to take institutions into conservatorship expires.

[7]The Resolution Trust Corporation Completion Act extended the period of the Corporation's authority to take institutions into conservatorship to a date not earlier than January 1, 1995, and not later than July 1, 1995. The act requires the Chairperson of the Thrift Depositor Protection Oversight Board to select the actual date. The Corporation based its estimate on the Office of Thrift Supervision's list of institutions which are probable or possible failures by March 31, 1995, the midpoint of the range of dates specified in the legislation.

Table 2: Total Loss Funding Made Available as of December 31, 1993 (Dollars in billions)

Financial Institutions Reform, Recovery, and Enforcement Act of 1989	$ 50.0
Resolution Trust Corporation Funding Act of 1991	30.0
Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991	6.7[a]
Resolution Trust Corporation Completion Act	18.3[a]
Total	$105.0

[a]The Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 (Public Law 102-233) provided $25 billion in December 1991, which was only available for obligation until April 1, 1992. As a result of the deadline, the Corporation returned $18.3 billion of unobligated funds to the Treasury in April 1992. In December 1993, the RTC Completion Act removed the April 1, 1992, deadline, thus making the $18.3 billion available to the Corporation for resolution activities.

To date $105 billion has been made available to the Corporation to cover losses associated with resolutions. Based on the estimates presented in the Corporation's 1993 financial statements, which are subject to the uncertainties discussed above and in notes 5 and 10 to the financial statements, the Corporation could have $13 billion of unused loss funds after resolving all institutions for which it is responsible.

Table 3: Estimated Unused Loss Funds After Completion of the Corporation's Resolution Activities (Dollars in billions)

Total loss funding made available	$ 105
Less: estimated loss funding needs	(92)
Estimated unused loss funds	$ 13

The estimated $13 billion of unused loss funds is dependent on the Corporation's estimated recoveries from receiverships and its estimated cost of future resolutions. At December 31, 1993, these estimates show that the Corporation will be able to repay its $30.8 billion in working capital borrowings from the FFB. FFB borrowings are repaid using asset recoveries. If actual asset recoveries are less than estimated or future resolution costs are greater than anticipated, the Corporation will need to use additional loss funds. Considering the amount of estimated loss funding needs, the Corporation will only be in a position where it is unable to repay its FFB borrowings if its combined losses on receivership assets and future resolutions are $13 billion more than currently estimated.

Loss funds not used by the Corporation are available for losses incurred by the Savings Association Insurance Fund (SAIF), subject to the conditions set forth in the Resolution Trust Corporation Completion Act.[8] Funds in excess of the amounts needed by both the Corporation and SAIF will be returned to the general fund of the Treasury.

Under the Resolution Trust Corporation Completion Act, the Corporation will terminate on or before December 31, 1995. All remaining assets and liabilities will be transferred to the FSLIC Resolution Fund, which is managed by the FDIC.

OPINION ON FINANCIAL STATEMENTS

In our opinion, the financial statements present fairly, in all material respects, in accordance with generally accepted accounting principles, the Corporation's

-- assets, liabilities and equity as of December 31, 1993 and 1992;

[8]The Resolution Trust Corporation Completion Act makes available to SAIF, during the 2 year period beginning on the date of the Corporation's termination, any of the $18.3 billion in appropriated funds not used by the Corporation. However, prior to receiving such funds, the Federal Deposit Insurance Corporation (FDIC) must first certify, among other things, that SAIF cannot fund insurance losses through industry premium assessments or Treasury borrowings without adversely affecting the health of its member institutions and causing the government to incur greater losses.

-- revenues, expenses and accumulated deficit for the years then ended; and

-- cash flows for the years then ended.

However, misstatements may nevertheless occur in other financial information reported by the Corporation as a result of the internal control weaknesses described below. Additionally, significant uncertainties discussed earlier in this report and in notes 5 and 10 to the financial statements, may ultimately result in higher or lower resolution costs than estimated in these statements.

OPINION ON INTERNAL CONTROLS

In our opinion, the internal controls in effect on December 31, 1993, provided reasonable assurance that losses, noncompliance, or misstatements material in relation to the financial statements would be prevented or detected. Specifically, the controls we evaluated were designed to

-- safeguard assets against unauthorized acquisition, use or disposition;

-- execute transactions in accordance with management's authority and with material 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.

However, we identified several internal control weaknesses which we do not consider to be material. These weaknesses are discussed in the following section on reportable conditions. Because of inherent limitations in any system of internal controls, losses, noncompliance, or misstatements may nevertheless occur and not be detected. We caution that projecting our evaluation of controls to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with such controls may deteriorate.

The Corporation's management asserted that internal controls in effect on December 31, 1993, provided reasonable assurance that losses, noncompliance, or misstatements material in relation to the financial statements would be prevented or detected on a timely basis. This assertion, which is included in appendix III, was part of management's evaluation of internal controls under the Chief Financial Officers Act of 1990. Management made this assertion using the internal control and reporting criteria set forth in the implementing guidance for the Federal Managers' Financial Integrity Act of 1982. In making this assertion, management considered the reportable conditions we found. We found that management's assertion is consistent with the results of our evaluation of controls.

REPORTABLE CONDITIONS

The following reportable conditions, 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. General controls over some of the Corporation's computerized information systems did not provide adequate assurance that data files and computer programs were fully protected from unauthorized access and modification. A basic internal control objective for computerized systems is to protect data and programs from unauthorized changes and to prevent unauthorized access to sensitive data. The effectiveness of general controls is a significant factor in ensuring the integrity and reliability of financial data. During 1993, the Corporation had compensating controls in place, such as manual comparisons and reconciliations, which would have detected material data integrity problems resulting from inadequate general controls. Without the compensating controls, the weaknesses in general controls would raise significant concerns over the integrity of information obtained from the affected systems.

The Corporation has developed an action plan intended to address the above condition and is currently implementing the corrective actions. We believe that the corrective actions, if properly implemented, will correct the problems we found.

2. The Corporation's field offices did not always post wire receipts to the correct general ledger accounts. Based on the results of our testing, we estimated that approximately 11 percent of all wire receipts from third parties in 1993

contained one or more posting errors.[9] More than half of the wires containing posting errors were securitization-related receipts. About half of the securitization wires had errors between income accounts only. The other half also had errors between principal reduction accounts or in the allocation between principal and income accounts. In order for receivership financial information to be reliable and useful, transactions should be consistently and accurately recorded and summarized. The posting errors could cause certain financial information used by management to be inaccurate.

In 1993 and 1994, the Corporation took action to address the problems associated with securitization-related wire receipts. The Corporation initiated a policy whereby the headquarters office responsible for maintaining the support for securitization transactions assigns the general ledger accounts to be used by the field offices for posting each wire receipt. The new policy states that the field office personnel should not use accounts other than those assigned without first checking with the headquarters office. We believe that the new policy, if properly implemented, should reduce the overall rate of posting errors to an acceptable level.

3. The Corporation's field offices did not always use correct amounts from the detailed asset records when reconciling the receiverships' asset balances to those records. In order for the asset reconciliation process to be effective, proper amounts from the detailed asset records must be used. Use of the incorrect amounts contributed to unreconciled differences and unreported differences between the receiverships' asset balances and the balances in the detailed asset records.

In 1993 and 1994, the Corporation has implemented actions to address the above condition including (1) providing additional training to field personnel regarding use of servicer reports in the asset reconciliation process and (2) monitoring to ensure that field offices are using proper amounts in the reconciliations. We believe that these

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[9]Based on the results of our sample, we can conclude with 90 percent confidence that between 7.1 percent and 15.5 percent of all wire receipts from third parties contained at least one posting error, with the most likely error rate at 11.3 percent.

actions, if effectively implemented, should result in proper amounts being used in future reconciliations.

We also noted other less significant matters involving the internal control structure and its operation which we will communicate separately to the Corporation's management.

COMPLIANCE WITH LAWS AND REGULATIONS

Our tests for compliance with significant provisions of selected laws and regulations disclosed no material instances of noncompliance.[10] Also, nothing came to our attention in the course of our other work to indicate that material noncompliance with such provisions occurred.

PROGRESS ON 1992 AUDIT RECOMMENDATIONS

In conducting our 1993 audit, we found that the Corporation made significant progress in addressing the internal control weaknesses we identified in our reports on the results of our 1992 audit. The Corporation's actions during 1993 fully resolved the one weakness we considered material and all of the reportable conditions we reported in 1992. Appendix IV summarizes the 1992 internal control weaknesses and the actions taken by the Corporation to address those weaknesses.

RECOMMENDATION

We recommend that the Corporation's Chief Financial Officer direct the Corporation staff to monitor implementation and progress of the corrective actions related to the weaknesses we identified in general controls over some of the Corporation's computerized information systems, posting securitization-related wire receipts, and reconciliations of receiverships' asset balances to detailed asset records.

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[10]The Federal Deposit Insurance Corporation Improvement Act of 1991 requires the Corporation to resolve institutions in the least costly manner and GAO to report to the Congress annually on the Corporation's compliance with the least-cost provisions. GAO recently completed its 1992 least-cost compliance review of the Corporation. The review identified several compliance issues, none of which were material to the Corporation's financial statements. A detailed discussion of GAO's findings is presented in Policies and Practices Did Not Fully Comply With Least-Cost Provisions (GAO/GGD-94-110, June 17, 1994).

B-240108

CORPORATION COMMENTS
AND OUR EVALUATION

Commenting on a draft of this report, the Corporation's Chief Financial Officer agreed with our findings and recommendation. The Chief Financial Officer's written comments, provided in appendix V, discuss various efforts, many of which are ongoing, intended to address the reportable conditions. We plan to evaluate the adequacy and effectiveness of these efforts as part of our annual audits of the Corporation's financial statements.

Charles A. Bowsher
Comptroller General
of the United States

June 15, 1994

OBJECTIVES, SCOPE, AND METHODOLOGY

The Corporation's management is responsible for

-- preparing annual financial statements in conformity with generally accepted accounting principles;

-- establishing, maintaining and evaluating the internal control structure to ensure that it provides 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 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 the Corporation's 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:

    -- 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 disbursements; 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 significant provisions of the following laws and regulations:

- -- section 21A of the Federal Home Loan Bank Act (12 U.S.C. 1441a) and
- -- 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.

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

The Corporation's Chief Financial Officer provided written comments on a draft of this report. These comments are discussed in the "Corporation Comments and Our Evaluation" section of the opinion letter and are reprinted in appendix V. We have incorporated the Corporation's views where appropriate.

RESOLUTION TRUST CORPORATION STATEMENTS OF FINANCIAL POSITION

(dollars in thousands)

	December 31, 1993	December 31, 1992
ASSETS		
Cash (Note 3)	$ 6,470,428	$ 3,048,320
Net advances (Note 4, 6, 15 and 18)	7,337,863	9,331,348
Net subrogated claims (Note 5, 6, 15 and 18)	21,158,047	32,490,003
Net assets purchased by the Corporation (Note 6, 7 and 15)	76,387	82,305
Other assets	10,120	13,319
TOTAL ASSETS (Note 14)	**$35,052,845**	**$44,965,295**
LIABILITIES		
Accounts payable, accrued liabilities, and other (Note 16 and 17)	$ 169,822	$ 224,558
Due to receiverships/conservatorships (Note 8)	13,790	29,111
Notes payable and accrued interest (Note 9)	30,773,103	37,474,371
Estimated cost of unresolved cases (Note 6, 10 and 15)	8,097,851	16,858,857
Estimated losses from corporate litigation (Note 6 and 11)	171,633	375,375
TOTAL LIABILITIES	**39,226,199**	**54,962,272**
EQUITY		
Contributed capital (Note 3)	55,523,993	55,522,019
Capital certificates	31,286,325	31,286,325
Accumulated deficit	(90,983,672)	(96,805,321)
TOTAL EQUITY (Note 12)	**(4,173,354)**	**(9,996,977)**
TOTAL LIABILITIES AND EQUITY (Note 14)	**$35,052,845**	**$44,965,295**

See accompanying notes

RESOLUTION TRUST CORPORATION STATEMENTS OF REVENUES, EXPENSES AND ACCUMULATED DEFICIT

(dollars in thousands)

	Year Ended December 31, 1993	Year Ended December 31, 1992
REVENUES		
Interest on advances and subrogated claims	$ 367,751	$ 532,183
Other interest income	12,061	10,087
Other revenue (Note 3)	48,106	33,288
TOTAL REVENUES	**427,918**	**575,558**
EXPENSES		
Interest expense on notes issued by the Corporation	1,010,562	1,928,623
Interest expense on amounts due receiverships	72,977	774,320
Reduction in loss allowances (Note 6)	(6,579,610)	(8,116,762)
Administrative operating and other expenses (Note 2, 14 and 17)	102,340	54,213
TOTAL EXPENSES	**(5,393,731)**	**(5,359,606)**
NET REVENUE	5,821,649	5,935,164
ACCUMULATED DEFICIT, BEGINNING	(96,805,321)	(102,740,485)
ACCUMULATED DEFICIT, ENDING (Note 12)	**($90,983,672)**	**($96,805,321)**

See accompanying notes

RESOLUTION TRUST CORPORATION STATEMENTS OF CASH FLOWS

(dollars in thousands)

	Year Ended December 31, 1993	Year Ended December 31, 1992
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflows from:		
Receipts from subrogated claims	$14,577,355	$29,655,899
Repayments of advances and reimbursable expenditures	5,836,959	14,772,701
Receipts of interest on advances	322,666	754,480
Receipts from asset liquidations	35,663	53,089
Receipts from other operations	41,433	32,140
Cash outflows for:		
Disbursements for subrogated claims	(4,931,341)	(22,668,747)
Disbursements for advances	(3,241,601)	(11,735,557)
Disbursements for reimbursable expenditures	(1,446,145)	(1,554,588)
Administrative operating and other expenditures	(95,366)	(41,555)
Interest paid on notes payable	(770,709)	(1,605,807)
Net Cash Provided by Operating Activities (Note 13):	**10,328,914**	**7,662,055**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflows from:		
Contributed capital	34,314	25,033,510
Notes payable	4,100,000	7,500,000
Capital certificates	0	203
Cash outflows for:		
Contributed capital returned to the Treasury (Note 1)	0	(18,314,767)
Repayment of notes payable, principal	(11,041,120)	(27,867,007)
Net Cash Used by Financing Activities	**(6,906,806)**	**(13,648,061)**
Net increase (decrease) in Cash	**3,422,108**	**(5,986,006)**
CASH-BEGINNING	**3,048,320**	**9,034,326**
CASH-ENDING	**$6,470,428**	**$3,048,320**

See accompanying notes

Resolution Trust Corporation Notes to Financial Statements December 31, 1993 and 1992

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. This period was extended to September 30, 1993, by the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 and in December 1993, the period was extended to a date not earlier than January 1, 1995, nor later than July 1, 1995, by the Resolution Trust Corporation Completion Act of 1993. The final date will be determined by the Chairperson of the TDP Oversight Board.

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, 1995. 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, 1993, $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 Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 (See Note 12). This legislation, signed in December 1991, 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.

In December 1993, the Resolution Trust Corporation Completion Act authorized funding of the $18.3 billion previously returned to Treasury. Expenditure of funds in excess of $10 billion requires certification by the Secretary of the Treasury that certain statutory requirements have been met. In January 1994, the TDP Oversight Board received $10 billion in funds, of which $4 billion was forwarded to the RTC.

The RTC has also issued capital certificates of $31.3 billion to REFCORP as of December 31, 1993 (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 1993.

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 records 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 between January 1, 1995, and July 1, 1995.

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.

National Judgments, Deficiencies and Chargeoffs Joint Venture Program. The RTC purchases assets from receiverships, conservatorships, and their subsidiaries to facilitate the sale and/or transfer of selected assets to several Joint Ventures in which the RTC retains a financial interest.

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, 1993, and 1992, 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.

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 $108.9 million of appropriated funds from the U.S. Treasury since it was established of which $34.3 million relate to the Government's Fiscal Year (FY) 1994 and $33.5 million relate to FY 1993. These funds are used to finance the activities of the OIG. Restricted amounts of $5,805,385 for FY 1993, $9,571,221 for FY 1992 and $773,671 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 $32,339,972 and $24,274,873 during 1993 and 1992, 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 $34,538,230 during 1993 and $20,955,917 during 1992. As of December 31, 1993, and 1992, the unobligated OIG appropriation balances included in "Contributed capital" were $38.8 million and $36.8 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 1993 ranged between 3.13% and 3.54%, and between 2.98% and 4.44% in 1992. At December 31, 1993, and 1992, the interest rates on advances were 3.37% and 3.54%, respectively.

	December 31, 1993	December 31, 1992
Advances to conservatorships	$ 6,522,853	$ 6,777,066
Advances to receiverships	5,406,256	6,379,436
Reimbursements due from receiverships and conservatorships	307,268	419,611
Accrued interest	73,165	38,921
Write-offs at termination - advances (Note 6 and 7)	(3,815)	(3,575)
Allowance for losses on receivership advances (Note 6)	(3,981,719)	(3,907,079)
Allowance for losses on conservatorship advances (Note 6)	(986,145)	(373,032)
	$ 7,337,863	**$ 9,331,348**

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 $0.8 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 1993 ranged between 2.50% and 3.64%, and between 2.59% and 4.74% in 1992. At December 31, 1993, and 1992, the interest rates paid on these accounts were 2.79% and 2.63%, respectively.

	December 31, 1993	December 31, 1992
Subrogated claims	$208,331,406	$200,461,308
Recovery of subrogated claims	(115,566,781)	(92,855,555)
Claims of depositors pending and unpaid	17,540	19,974
Due to receiverships - assets sold	(2,316,651)	(7,520,378)
Write-offs at termination - subrogated claims (Note 6 and 7)	(639,585)	(352,712)
Allowance for losses on subrogated claims (Note 6)	(68,667,882)	(67,262,634)
	$ 21,158,047	**$ 32,490,003**

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, 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)
Cost of Resolutions	7,190,499	-	-	(7,190,499)	-	0
Balance, Dec 31, 1992	67,262,634	4,280,111	11,225	16,858,857	375,375	88,788,202
Provision (reductions)	62,377	687,992	5,025	(7,131,262)	(203,742)	(6,579,610)
Write-offs at termination (Note 7)	(286,873)	(239)	-	-	-	(287,112)
Cost of resolutions	1,629,744	-	-	(1,629,744)	-	0
Balance, Dec 31, 1993	**$68,667,882**	**$4,967,864**	**$16,250**	**$ 8,097,851**	**$171,633**	**$81,921,480**

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. "Cost of resolutions" represent amounts transferred from "Estimated cost of unresolved cases" to "Allowance for losses on subrogated claims" as a result of case resolutions in each year.

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

The RTC has purchased the remaining assets of selected receiverships in order to expedite the termination of the receivership entity. As of December 31, 1993, the RTC had purchased assets from 77 receiverships for $173 million, in order to pay a final dividend to the receiverships' creditors and to begin the process of legally terminating the receivership entities (assets from 36 receiverships for $142 million at December 31, 1992). 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. Additionally, during 1993, the RTC purchased assets from receiverships, conservatorships, and their subsidiaries for $1.5 million to facilitate the sale and/or transfer of selected assets to several Joint Ventures in which the RTC retained a financial interest.

	December 31, 1993	December 31, 1992
Assets in liquidation purchased	$173,075	$141,795
Sales, collections and adjustments	(80,438)	(48,265)
Allowance for losses on corporate assets (Note 6)	(16,250)	(11,225)
	$ 76,387	**$ 82,305**

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.

8. Due to Receiverships/Conservatorships:

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 $13.4 million and $29.1 million at December 31, 1993, and 1992, respectively.

Conservatorships participating in RTC'S National Judgments, Deficiencies and Chargeoffs Joint Venture Program (JDC JV) have sold judgments and deficiencies to the RTC. The liability, "Due to conservatorships-assets purchased," with a $0.4 million balance at December 31, 1993, represents the amount due to these conservatorships for the purchase of their JDC's.

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 2.88 and 3.27% during 1993 and between 2.82% and 5.09% in 1992. As of December 31, 1993, and 1992, the RTC had $30.8 billion and $37.5 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 $8.1 billion at December 31, 1993, for the anticipated costs of resolving an additional 67 troubled institutions. Of the 67 institutions, 63 were in conservatorship as of that date. The other 4 associations were identified by the OTS as institutions for which it is probable that government assistance may be required on or before the last date by which the RTC may be appointed conservator.

The 1993 "Estimated cost of unresolved cases" has declined from the December 31, 1992, and 1991, estimates of $16.9 billion and $25.5 billion, respectively. The primary reasons for this decline were OTS changes in estimated caseload, RTC revisions to cost estimates for existing conservatorships, and resolution of cases during 1993 leaving fewer unresolved cases at the end of the year.

The OTS has also identified 18 savings associations for which it is reasonably possible that government assistance may be required. The estimated cost to resolve these 18 institutions could be up to $1 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, 1993, 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 $171.6 million has been established as of December 31, 1993, for the 40 actions that management feels are probable to result in a significant loss ($375.4 million at December 31, 1992, for 71 actions). Additionally, the Corporation could possibly incur further losses of approximately $400 million 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, 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
Balance, Dec 31, 1992	55,522,019	31,286,325	(96,805,321)	(9,996,977)
1993 Net revenue	-	-	5,821,649	5,821,649
FY 94 OIG appropriation	34,314	-	-	34,314
1993 Obligated OIG funds	(32,340)	-	-	(32,340)
Balance, Dec 31, 1993	**$55,523,993**	**$31,286,325**	**$ (90,983,672)**	**$ (4,173,354)**

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

Reconciliation of net revenue to net cash provided by operating activities:

	For the Years Ended December 31, 1993	December 31, 1992
Net Revenue	$ 5,821,649	$ 5,935,164
Reduction in loss allowances	(6,579,610)	(8,116,762)
Interest expense financed as additional notes payable	278,975	545,215
Decrease in accrued interest on notes payable	(39,122)	(222,398)
Increase in accrued interest on amounts due to receiverships	72,977	774,320
(Increase) decrease in accrued interest due from advances	(35,033)	238,115
Receipts from subrogated claims	14,577,355	29,655,899
Repayments of advances and reimbursable expenditures	5,836,959	14,772,701
Receipts from asset liquidations	35,663	53,089
Decrease in accounts payable, accrued liabilities and other	(56,628)	(7,400)
Decrease in reimbursable portion of liabilities above	55,290	39,045
Disbursements for advances	(3,241,601)	(11,735,557)
Disbursements for subrogated claims	(4,931,341)	(22,668,747)
Disbursements for reimbursable expenditures	(1,446,145)	(1,554,588)
OIG income recognized	(32,340)	(24,275)
Other non-cash (income) and expenses (net)	8,594	(22,564)
Decrease in other assets	3,272	798
Net cash provided by operating activities	**$10,328,914**	**$ 7,662,055**

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

- $1,629,744 and $7,190,499 were reclassified from "Estimated cost of unresolved cases" to "Allowance for losses on subrogated claims" during 1993 and 1992, respectively, due to the resolution of 27 cases during 1993 and 69 cases in 1992.
- "Due to receiverships - assets sold" decreased by $62,157 and $3,661,299 in 1993 and 1992, respectively, with offsetting decreases of $61,364 and $3,611,547 to "Advances to receiverships" and of $793 and $49,752 to "Accrued interest" to repay receivership advances and related interest.
- $278,975 and $545,215 of interest expense was financed through increases in notes payable in 1993 and 1992, respectively.

■ "Recovery of subrogated claims" increased by $7,602,027 and $21,630,902 during 1993 and 1992, respectively, with an offsetting decrease in "Due to receiverships - assets sold", to record liquidating dividends declared by receiverships.

■ "Subrogated claims" increased by $2,983,857 and $5,190,331 in 1993 and 1992, respectively, resulting from resolution activity with an offsetting increase in "Due to receiverships - assets sold."

■ "Due to receiverships" decreased by $15,715 and $1,605,088 in 1993 and 1992, 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 $89,272 and $389,551 during 1993 and 1992, respectively, with an offsetting decrease to "Due to receiverships - assets sold."

■ "Due to receiverships - assets sold" increased by $31,280 and $141,795 in 1993 and 1992, 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, 1993, there were 743 institutions with $75.5 billion of assets for which the RTC was appointed conservator or receiver. This compares to 734 institutions with $124.0 billion of assets at December 31, 1992.

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, 1993, the net balances of advances and subrogated claims were $7.3 billion and $21.2 billion (net of "Due to receiverships - assets sold" of $2.3 billion), respectively. The RTC owed $2.3 billion to receiverships, including the liability account of $13 million, at December 31, 1993, resulting from resolution transactions (see notes 5 and 8). Interest income earned on advances and subrogated claims was $368 million during the year ended December 31, 1993, and interest expense on amounts due receiverships was $73 million.

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. Total amounts due receiverships were $7.5 billion, including the liability account of $29 million. Interest income 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.

RTC receiverships and conservatorships are holders of limited partnership equity interests as a result of various RTC sales programs which include the National Land Fund, Multiple Investor Funds, N-Series and S-Series programs. Through 1993, the RTC sold $5.2 billion of loans through these programs.

The RTC funds the activities of the TDP Oversight Board based on its fiscal year budgets. The amounts funded in 1993 and 1992 were $5.1 million and $5.0 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 $102.3 million and $54.2 million for the years ended December 31, 1993, and 1992, respectively (total costs of $933.0 million and $970.9 million less $830.7 million and $916.7 million billed back to receiverships during 1993 and 1992, respectively). The Corporation bears the costs of administrative expenses for terminated receiverships since they are managed by the Corporation.

15. Commitments and Guarantees:

SECURITIZATION CREDIT RESERVES:

Through 1993, the RTC sold through its mortgage-backed securities securitization program $36.6 billion of receivership, conservatorship and Corporate loans ($32.8 billion through 1992). 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 1993, the amount of claims paid is 1% of the initial reserve balances. At December 31, 1993, and 1992, reserve funds related to the RTC securitization program totalled $6.6 billion and $6.2 billion, respectively. 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, 1993, the RTC included $1.5 billion, net of realized losses, in these provisions to cover estimated losses on the reserve funds ($1.3 million as of December 31, 1992). As of December 31, 1993, the provisions were offset by $844 million of securitization residual values ($755 million as of December 31, 1992).

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 $52 billion in unpaid principal of loans sold for cash or exchanged for mortgage-backed securities. The RTC also has provided guarantees, representations and warranties on approximately $143 billion of loans under servicing rights 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, 1993, the RTC included $1.2 billion in these provisions to cover the estimated costs of representation and warranty claims ($1.5 billion as of December 31, 1992).

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, 1993, the RTC has issued a commitment to honor approximately $2.4 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, 1993.

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, 1993, $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, 1993, these offices include: (1) the Washington, D.C. Headquarters offices, (2) the six megasite offices, and (3) four satellite offices located throughout the country. Additional satellite offices have been closed, but the RTC remains obligated for the remainder of their lease terms pending negotiations for lease buyouts or subleases. These obligations total $0.9 million. The RTC's rental expense for 1993 and 1992 totalled $59.5 million and $44.8 million, respectively. The RTC's total contractual obligations under lease agreements for office space are approximately $128.9 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):

1994	1995	1996	1997	1998	1999/Thereafter
$38,690	$32,258	$18,329	$6,616	$7,069	$25,920

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, 1995, 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, 1993, and 1992, were approximately $16.9 million and $16.9 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 $20.2 million at December 31, 1993, and $20.0 million at December 31, 1992.

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.

The RTC elected to recognize immediately the accumulated postretirement benefit liability of $18.1 million 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. The RTC recorded charges of $13.8 million and $11.0 million for the current periodic cost, for 1993 and 1992, respectively. All amounts have been reflected in the "Administrative operating and other expenses" line of the Statements of Revenues, Expenses and Accumulated Deficit.

The net periodic postretirement benefit cost for 1993 and 1992 included the following components (in millions):

	1993	1992
Service cost, benefits attributed to employee service during the year	$ 8.5	$ 6.8
Interest cost on accumulated postretirement benefit obligations	4.4	4.2
Net amortization and deferral	.9	-
Net periodic postretirement benefit cost	$13.8	$11.0

The RTC, as a government corporation scheduled under current law to terminate on or before December 31, 1995, 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 pays the FDIC an amount equal to the RTC's obligation. In return, the FDIC agrees to pay the costs associated with postretirement benefits due to eligible employees assigned to the RTC upon their retirement. During 1993, the RTC paid the FDIC an amount equal to the RTC's transition obligation plus the RTC's 1992 net periodic postretirement cost and the estimated 1993 net periodic postretirement cost. As of December 31, 1993, the RTC has included as a current liability on its Statement of Financial Position an amount equal to $5.2 million for a revised 1993 net periodic postretirement cost which the RTC expects to pay to the FDIC in 1994.

The discount rate used in the calculation of the postretirement benefit obligation was 6.0% in 1993. The assumed medical inflation trend in 1993 was 14.0%, decreasing to an ultimate rate of 8.0% in 1998 and remaining at that level thereafter. The dental cost trend rate in 1993 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 for health care benefits as of December 31, 1993, would have increased $17.8 million, or 27.3%. Additionally, a one percent increase would have increased the aggregate service and interest costs of the 1993 net periodic postretirement health care benefit cost by $3.7 million, or 31.7%.

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, 1993, is $105.1 billion (against which $76.6 billion of reserves and contra assets have been recorded). Of this total, $27.4 billion is attributable to institutions located in Texas, $17.5 billion is attributable to institutions located in California, $7.6 billion is attributable to institutions located in Florida and $6.5 billion is attributable to institutions located in Arizona.

RTC

RESOLUTION TRUST CORPORATION

Resolving The Crisis
Restoring The Confidence

Chief Financial Officer

1993 Management Report on Internal Controls

Corporate Internal Control Objective

The Resolution Trust Corporation (RTC) maintains an internal control system which is designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized acquisition, use or disposition; transactions are executed in accordance with management's authority and with laws and regulations; and transactions are properly recorded, processed, and summarized in accordance with generally accepted accounting principles and to maintain accountability for assets. The internal control system includes a documented organizational structure, division of responsibility, and established policies and procedures. The corporate policy sets a positive tone for the organization and is intended to influence the control consciousness of RTC personnel.

The Thrift Depositor Protection Oversight Board (TDPOB) has issued a policy statement on internal controls dated July 25, 1991. The objectives of the policy statements are to encourage the RTC to establish and adhere to internal control standards, including evaluation and reporting standards, that are no less stringent than those required of certain agencies pursuant to the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and to encourage the RTC to vest in its Chief Financial Officer powers substantially similar to those provided in the Chief Financial Officers Act of 1990.

Internal Control Program Activity

In 1993, the RTC significantly enhanced its internal control system. In March, Treasury Secretary Bentsen, as Chairman of the TDPOB, announced the RTC management reform agenda, which included requirements that RTC strengthen its internal controls and implement a new audit follow-up system. In response, the RTC reinforced its commitment to promote and encourage internal control program activity and took several major steps to measurably improve internal controls throughout the Corporation.

During the year a new audit follow-up program was established, which required the Corporation to respond promptly and thoroughly to all recommendations contained in reports issued by both internal and external auditors. The follow-up program includes procedures for tracking audit findings and recommendations by the General Accounting Office (GAO), the RTC's Office of Inspector General (OIG), and other audit and review organizations. The Corporation improved the internal control program by enhancing the coordination among the internal review activities at the six asset management and sales field offices, the quality assurance activities at the four field financial service centers, and the headquarters management control activities. Additional resources were allocated to the field Internal Review Units, and their responsibilities were expanded to include a proactive program of evaluating internal controls. Also, the field Quality Assurance Units began reporting directly to the Vice Presidents of the Financial Service Centers during 1993.

The RTC trained more than 1,000 managers and senior personnel in the concepts of RTC's internal control program, a comprehensive internal control review initiative and the new audit follow-up procedures. National conferences were held for both the field Internal Review and Quality Assurance personnel.

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During the year, the Corporation continued to aggressively pursue its internal control and review program. The inventory of corporate units for which individual control and compliance assessments can be made was revised to reflect organizational changes; vulnerability assessments were conducted; and scheduled internal control and program compliance reviews were completed.

New automated systems designed to track ongoing audits and follow-up on audit recommendations were made available to headquarters and field management. The Management Reporting System (MRS), which monitors audit findings and recommendations along with corrective actions taken by the RTC, became fully operational in mid-1993. The Audit Management Tracking System (AMTS), which tracks the progress of ongoing audits, was installed at headquarters, the financial service centers and the asset management and sales field offices during the year. Field personnel were trained in the use of both MRS and AMTS.

Internal Control and Operations Reviews

In 1993, RTC program managers completed 65 internal control and program compliance reviews covering all major programs and financial management systems. The reviews monitored compliance with corporate policies and the adequacy of internal control objectives and techniques. Also during 1993, the GAO issued a total of 24 reports resulting from its audits and reviews of RTC operations and financial statements, and the RTC's OIG issued a total of 71 reports on its audits and reviews.

In its Semiannual Report to the Congress, dated September 30, 1993, the OIG commented favorably on the RTC's initiatives to improve audit follow-up and internal control training, and to implement the MRS. The OIG also completed a review of the RTC's internal control program and concluded that the RTC has adhered to the internal control policy statement issued by the TDPOB and that its internal control system meets the requirements of the FMFIA.

The RTC has improved its internal control program by incorporating the results of audits and reviews, thereby allowing the RTC to take advantage of the benefits derived from the audit process.

Management's Assertion

During the year, management evaluated the Corporation's internal control system of safeguarding assets against loss from unauthorized acquisition, use or disposition; assuring the execution of transactions in accordance with management's authority and with laws and regulations; and properly recording, processing, and summarizing transactions in accordance with generally accepted accounting principles and maintaining accountability for assets using the control criteria described in FMFIA and other selective laws, federal directives and applicable policy statements of the TDPOB. Based on that evaluation, management believes that the Corporation's internal control system met those criteria as of December 31, 1993.

There are, however, inherent limitations in the effectiveness of any internal control system, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even the most effective internal control system can provide only reasonable assurance with respect to safeguarding of assets against unauthorized acquisition, use or disposition, compliance with laws and regulations, and financial statement preparation. Furthermore, the effectiveness of an internal control system can change with circumstances.

Notwithstanding the Corporation's evaluation of its internal control system, it should be noted that through the reviews undertaken during 1993, certain high risk areas were identified and operating control weaknesses disclosed. However, management does not consider the weaknesses disclosed to be material in relation to the financial statements or the purpose for which the Corporation's overall system was designed. Through December 31, 1993, the weaknesses, along with the status of corrective actions taken or proposed, were disclosed in the Corporation's 1993 Internal Control Report to the TDPOB dated March 31, 1994. Subsequent to December 31, 1993, the following additional weaknesses, which were also considered not to be material, were discovered:

- the general controls over some of the Corporation's computerized information systems did not provide adequate assurance that data files and computer programs were fully protected from unauthorized access and modification,

- the Corporation's field offices did not always post wire receipts to the correct general ledger accounts, and

- the Corporation's field offices did not always use correct amounts from the detailed asset records when reconciling the receiverships' asset balances to those records.

The Corporation is currently implementing corrective actions necessary to address these weaknesses.

Donna H. Cunningham

Donna H. Cunningham

CORPORATION'S PROGRESS ON IMPLEMENTING GAO RECOMMENDATIONS CONCERNING 1992 INTERNAL CONTROL WEAKNESSES

During 1993, the Corporation implemented procedures to address the 1992 material internal control weakness related to lack of control procedures which resulted in an undetected error in a component of the Corporation's loss allowance calculation for subrogated claims. Specifically, these procedures require that the data used to calculate the system-generated performing/nonperforming asset splits be validated by comparison with similar data from an independent source. Adherence to these procedures should ensure that errors in the performing/nonperforming asset splits will be detected in a timely manner.

The Corporation also took actions during 1993 to address each of the following reportable conditions identified in our 1992 reports.

-- At December 31, 1992, 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. During 1993, the Corporation developed formal procedures for estimating its loss accrual in which the Warranties and Representations Accounts Processing System is the starting point. Additionally, the Corporation developed and implemented several major enhancements to the system which, combined with the formal procedures, help ensure the integrity of the data used to estimate the loss accrual. As a result of the actions implemented during 1993, our tests found that the December 31, 1993, estimated loss accrual was reasonable.

-- The Corporation's contractor estimated recovery values for receivership assets in 1992 without adequate supporting file documentation. During 1993, the Corporation enhanced the training and oversight of the contractor hired to estimate asset recoveries. As a result of these efforts, we found an improved audit trail and more consistent procedures in place to estimate recoveries for assets. Specifically, we found that the contractor based the estimates on the Corporation's historical sales experience and other information, and we found the estimates to be documented adequately.

-- During 1992, the Corporation's contractor did not consider all relevant file documentation or information in estimating receivership asset recoveries or made errors in recording valuation information. During 1993, we found the errors were reduced to an acceptable level such that we no longer consider this to be a reportable condition.

-- Nine of the Corporation's 13 field offices did not perform the required reconciliation of checks received and processed during 1992. The Corporation updated the Field Accounting Manual during 1993 and provided a standard format to ensure the uniform preparation of daily reconciliations of cash received. At the end of 1993, we found that all field offices performed the required reconciliation of checks received and processed.

-- In 1992, the Corporation's field offices did not post wire disbursements to the correct general ledger accounts. During 1993, the Corporation completed training initiatives to improve the accuracy of posting wire disbursements in the field offices. The results of our 1993 testing showed an improvement in the error rate of posting wire disbursements such that we no longer consider this to be a reportable condition. However, in 1993 we found a high posting error rate related to wire receipts, which we reported.

-- The Corporation did not identify the material weakness or the five reportable conditions described above in its 1992 statement on the effectiveness of its internal accounting and administrative controls. During 1993, we found no material weaknesses and the Corporation took immediate actions to address the reportable conditions we identified. In addition, the Corporation modified its own internal review procedures to include these areas.

-- During the first 8 months of 1992, the Corporation processed its financial information on the Federal Deposit Insurance Corporation's (FDIC) general ledger system. FDIC had inadequate controls over access to its electronic data processing center and systems software. In September 1992, the Corporation implemented its own general ledger system at a separate data center and no longer processes its financial information at the FDIC data center.

RTC

RESOLUTION TRUST CORPORATION

Resolving The Crisis
Restoring The Confidence

Chief Financial Officer

June 20, 1994

The Honorable Charles A. Bowsher
Comptroller General of the United States
United States General Accounting Office
Washington, D.C. 20548

Re: Financial Audit—Resolution Trust Corporation
1993 and 1992 Financial Statements

Dear Mr. Bowsher:

Thank you for the opportunity to respond to the General Accounting Office (GAO) draft audit report of the Resolution Trust Corporation's (RTC) 1993 and 1992 financial statements. We appreciate the opportunity to review and comment on the report in draft form prior to its issuance.

It has been a continuing objective of the RTC to receive from the GAO an unqualified opinion on its financial statements. We are pleased, therefore, that since 1992 the GAO has concluded that RTC's financial statements are reliable in all material respects. We are also pleased to note the GAO's conclusion that the RTC made significant progress in addressing the internal control weaknesses identified in the 1992 audit. We concur with these findings, and we are appreciative of GAO's continuing assistance in achieving these results.

The following addresses the significant matters and the reportable conditions identified in the GAO draft audit report for 1993.

SIGNIFICANT MATTERS

1. **Uncertainties Affect Estimated Recoveries From Receiverships and Costs of Future Resolutions**

We concur with the GAO's assessment that changes in various factors such as general economic conditions, interest rates and real estate markets that are beyond RTC's control may have some impact on the ultimate financial results of the RTC. Given the economic factors that existed at year-end 1993, we believe that the estimated recoveries on assets, and the reserve requirements for future credit losses on securitizations and for claims arising from representations and warranties are appropriate.

2. **Controls over Contractor Performance Could Affect Recoveries from Receiverships**

We concur that a significant issue is the need for continuing improvement in contractor oversight to ensure accurate recoveries from receiverships. As a result, we have established a number of major management initiatives which we anticipate will improve RTC's contractor oversight program:

A. We have initiated a formal Loan Servicing Oversight Program to continually review the ongoing coordination and supervision of all loan servicer activities;

B. We have committed significant additional staff resources to the Office of Contractor Oversight and Surveillance; and

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C. We have added internally the necessary resources to support the expanded efforts of RTC's Office of the Inspector General in formally auditing the activities of various RTC contractors.

3. **Funding and Current Status of the Corporation**

As correctly noted in your report, there is, and will continue to be, a significant level of uncertainty pertaining to the actual financial outcome of the RTC. The December 31, 1993 financial statements reflect loss funding needs of up to $92 billion which is $13 billion less than the loss funds of $105 billion made available to the Corporation.

However, it must be remembered that the loss funding of $92 billion is only an estimate. Changes in economic conditions, unanticipated additional savings and loan failures, and unforeseen problems impacting the value of remaining assets or RTC liabilities are just a few of the factors that could cause substantial variation from current estimates. Therefore, the total amount of loss funds used by the RTC will not be known with certainty until the last institution is resolved and the last asset is sold.

REPORTABLE CONDITIONS

1. **Computerized Information Systems**

In response to the findings of the 1993 GAO Financial Statement Audit, the Department of Information Resources Management (DIRM) has made significant progress in effecting the corrective actions required. The changes have included establishing and improving access control, information security practices and procedures, change control procedures, and business recovery procedures. By September 30, 1994, DIRM expects to complete corrective actions necessary to address the deficiencies which had been identified. In addition, two other efforts involving a limited business recovery test with no warning and a standardized system software platform are planned for completion in accordance with the action plan already submitted to the GAO.

These corrective actions are designed to:

- Improve controls over access to data and programs,
- Strengthen and formalize security programs,
- Strengthen independent review and testing of system software change controls,
- Improve the application change control process, and
- Strengthen the business recovery plan.

2. **Posting Wire Receipts**

We have taken a number of significant steps to reduce the errors referenced to in your report. A completely separate function called the National Sales Support Office was formed to support financial integrity in connection with national sales initiatives. We revised the Chart of Accounts and enhanced formal procedures associated with our posting and reconciliation requirements.

During 1994, internal control testing will be conducted to ensure that these revised procedures and processes are achieving the intended result of decreasing the referenced posting errors.

3. **Reconciliation of Receivership Assets**

The organization in recent months has also taken significant steps to improve its reconciliation processes with its loan servicers to ensure that servicer balances are reported correctly: the RTC's loan servicer oversight program now reviews the major servicer's remittance reporting processes for compliance with existing reporting requirements; a formal training program has been developed and implemented which allows servicers to better understand the full range of RTC's reporting requirements; an automation project is underway to improve servicer reporting for those servicers using specialized software; and the RTC has a monthly reconciliation procedure in place to identify and correct servicer balance variances. In the months ahead, we will continue the servicer balance reporting and reconciliation efforts so that in the future existing shortcomings will be corrected in a timely manner.

We believe that these efforts will be successful in correcting the internal control weaknesses identified in your report. The corporate staff will be directed to monitor the completion and progress of the corrective actions. We look forward to working with GAO representatives in assessing their success.

Sincerely,

Donna H. Cunninghame

Donna H. Cunninghame

STATISTICS

RTC Conservatorships

JANUARY 1, 1993 THROUGH DECEMBER 31, 1993

State	Associations in Conservatorship December 31, 1992	Associations Placed into Conservatorship January 1, 1993 - December 31, 1993	Conservatorship Resolutions January 1, 1993 - December 31, 1993			Associations in Conservatorship December 31, 1993
			P&A	Payoff	Total	
ALABAMA	3		2		2	1
CALIFORNIA	10	4	5	1	6	8
CONNECTICUT	1				0	1
FLORIDA	10	1	1		1	10
GEORGIA	3		1		1	2
ILLINOIS	2				0	2
IOWA	1				0	1
KANSAS	2	1	1		1	2
LOUISIANA	3	1			0	4
MAINE	1				0	1
MARYLAND	5		1		1	4
MASSACHUSETTS	2				0	2
MICHIGAN	1		1		1	0
MISSISSIPPI	1				0	1
NEW HAMPSHIRE	1				0	1
NEW JERSEY	8		1		1	7
NEW YORK	1				0	1
NORTH CAROLINA	2		2		2	0
OHIO	2		1		1	1
OKLAHOMA	1		1		1	0
OREGON	1				0	1
PENNSYLVANIA	7		4		4	3
RHODE ISLAND	0	1			0	1
SOUTH CAROLINA	4		2		2	2
TENNESSEE	1				0	1
VIRGINIA	6				0	6
WEST VIRGINIA	2		2		2	0
Total	**81**	**8**	**25**	**1**	**26***	**63**

*Does not include 1 institution resolved under the Accelerated Resolutions Program in 1993.

New RTC Conservatorships

JANUARY 1, 1993 THROUGH DECEMBER 31, 1993

(dollars in thousands)

Date of Conservatorship	Name of Institution and Location	Gross Assets	Total Liabilities	Total Deposits	Number of Deposit Accounts
29-Jan	Life FSB, Baton Rouge, LA*	$ 16,811	$ 16,535	$ 16,470	4,357
29-Jan	Old Stone FSB, Providence, RI	1,924,902	1,821,049	1,699,352	232,543
29-Jan	Vista FSA, Canoga Park, CA	108,573	103,096	94,482	980
16-Mar	The Guardian Bank, a FSB, Boca Raton, FL†	65,735	66,255	60,394	4,597
02-Apr	The Pioneer FS&LA, Prairie Village, KS	139,385	129,833	127,478	9,030
04-Jun	Western FSB, Marina Del Rey, CA	3,894,870	3,659,630	2,671,808	134,097
13-Aug	Golden State FSB, Irvine, CA	51,341	48,818	46,517	786
24-Sep	Westside Bank, a FSB, Los Angeles, CA	82,433	79,004	76,949	2,671
Total	**8 Institutions**	**$6,284,050**	**$5,924,220**	**$4,793,450**	**389,061**

Note: *Data based on TFR data for the quarter prior to date of conservatorship, except as noted.*

*September 1992 TFR data

†March 1993 TFR data

RTC Resolutions

JANUARY 1, 1993, THROUGH DECEMBER 31, 1993

(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
05-Mar	Enterprise S&LA, Compton, CA	PA	$ 8,780	$ 8,375	$ 8,357	845	$ 0	Family SB, FSB, Los Angeles, CA
21-May	Cimarron FSA, Muskogee, OK	PA	517,397	486,885	480,777	51,890	0	Branch Sale
04-Jun	Vista FSA, Canoga Park, CA	PO	94,095	89,295	72,772	751	7,029	None
30-Jun	First Home FSA, Pittsburgh, PA	PA	102,291	97,104	95,236	16,586	0	First Home FSB, FSB, Pittsburgh, PA
09-Jul	Alpha Indian Rock FS&LA, Philadelphia, PA	PA	4,157	6,135	2,534	372	2,203	Roxborough-Manayunk FSB, Philadelphia, PA
23-Jul	First FS&LA of Russell Co, FA, Phenix City, AL	PA	70,112	65,785	59,706	12,766	105	Branch Sale
23-Jul	First Newport FSB, Newport Beach, CA	PA	10,807	10,153	8,849	341	2,249	Sterling B&T, FSB, Southfield, MI
30-Jul	Crestline FS&LA, Crestline, OH	PA	24,800	23,945	16,817	3,420	5,081	Premier B&T, Elyria, OH
30-Jul	Chase FS&LA, Philadelphia, PA	PA	17,306	19,280	12,565	1,769	8,446	United Bank of Philadelphia, Philadelphia, PA
06-Aug	Birmingham FSB, Birmingham, AL	PA	54,657	56,083	49,713	5,949	10,190	First Commercial Bank, Birmingham, AL
06-Aug	San Clemente FSB, San Clemente, CA	PA	111,832	118,863	118,150	7,608	28,212	Household Bank, FSB, a FSB, Newport Beach, CA
06-Aug	Marine View FSB, Middletown, NJ	PA	92,317	88,143	87,488	10,582	6,267	Summit Bank, Chatham, NJ
13-Aug	The Overland Park FS&LA, Overland Park, KS	PA	97,591	100,417	62,156	3,839	8,878	Conservative SB, FSB, Omaha, NE
20-Aug	Irvington FSB, Glen Burnie, MD	PA	26,972	28,563	27,052	5,959	2,733	Arundel FSB, Baltimore, MD
27-Aug	First FS&LA, Pontiac, MI	PA/PO	323,698	321,863	276,956	47,960	35,565	Branch Sale
27-Aug	Surety FS&LA, Morganton, NC	PA	63,826	68,934	68,590	15,288	3,369	First Citizens B&TC, Raleigh, NC
27-Aug	Home Unity FS&LA, Lafayette Hill, PA	PA	427,110	442,880	435,791	81,967	39,996	Branch Sale
10-Sep	Amador Valley S&LA, Pleasanton, CA *	PA	42,850	43,780	41,150	6,961	2,118	Community First NB, Pleasanton, CA
17-Sep	Homestead FSA, San Francisco, CA	PA/PO	871,777	829,643	807,124	243,951	72,864	Branch Sale
17-Sep	Evergreen FS&LA, Charleston, WV	PA	15,081	16,927	16,562	2,269	2,570	The Merchants NB of Montgomery, Montgomery, WV
24-Sep	First South FSB, Columbia, SC	PA	23,943	25,901	16,564	1,314	6,230	SouthTrust Bank of Charleston, NA, Charleston, SC
24-Sep	Standard FS&LA, Columbia, SC	PA	163,194	167,961	164,990	28,275	9,482	The NB of South Carolina, Columbia, SC
08-Oct	Palm Beach FSA, Palm Beach Gardens, FL	PA	53,477	51,102	28,804	1,294	14,730	SouthBank, a FSB, Palm Beach Gardens, FL
08-Oct	First American FSB, Greensboro, NC	PA	344,089	394,360	391,793	52,136	60,184	Centura Bank, Rocky Mount, NC
15-Oct	Shenandoah FSA, Martinsburg, WV	PA	41,845	44,440	43,533	9,765	5,287	Blue Ridge Bank, Martinsburg, WV
05-Nov	First FSB of GA, FA, Winder, GA	PA	80,059	82,347	64,195	10,586	7,083	Branch Sale
03-Dec	HomeFed Bank, FA, San Diego, CA	PA/PO	4,313,877	4,990,285	4,724,490	440,876	1,288,873	Branch Sale
Total	**27 Institutions**		**$7,997,940**	**$8,679,449**	**$8,182,714**	**1,065,319**	**$1,629,744**	

Notes:
1) Data based on TFR data for the quarter prior to the date of resolution.
2) PO—Deposit Payoff; PA—Purchase & Assumption
3) "Estimated Cost of Resolution" as of date of resolution.
4) For all 1993 activity, the RTC resolved institutions using funds from funding bills prior to the Completion Act. The $4 billion that the RTC received in January 1994 pursuant to the Completion Act will be used for 1994 resolutions.

*Institution was resolved under the Accelerated Resolutions Program (ARP). There was 1 ARP resolution in 1993.

RTC Resolved Conservatorships

August 9, 1989 to December 31, 1993

(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
Added in 1993	8	6,284,050	5,924,220	4,793,450	389,061
Resolved in 1993	26	19,485,058	18,828,229	14,253,104	1,599,988
In Conservatorship as of 12/31/93	**63**	**$ 58,670,318**	**$ 56,881,244**	**$ 40,805,967**	**3,777,201**
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
Institutions resolved under the Accelerated Resolutions Program in 1993	1	$ 42,850	$ 43,780	$ 41,150	6,961

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

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The 1993 RTC Annual Report

Published by:

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Annual report, 1993