

Texas Department of Banking

Press Release

Banking Commissioner Emphasizes Safety and Soundness of Texas Banks and FDIC Insured Accounts

Date: July 18, 2008

Thank you for attending this briefing this morning.

My name is Randall James, and I am the Texas Banking Commissioner. I have been with the agency for about 17 years, having previously worked in a Texas bank and with the FDIC.

I am not sure about you, but it is difficult to pick up a newspaper or watch a TV news report without seeing numerous articles about the stresses facing our country's financial institutions. Financial institutions have suffered from the problems associated with the mortgage crisis and have been reporting loan and investment losses, additional reserve provisions, and are seeking capital infusions. The press focuses its attention on the problems of larger financial institutions. At this time, the federal government is providing liquidity to the financial system, and working to protect the nation's mortgage markets, while Congress and the President are looking at changes to improve our nation's financial structure.

These stressful times have also brought about a couple of financial institution failures in the US, and news coverage has shown customers in lines outside of branches of IndyMac Bank of California, right after that institution was taken over by the FDIC and became a bridge bank.

I am also hearing rumors that bank customers are overly concerned about their bank's financial health and about how FDIC deposit insurance works for their accounts.

I understand the anxiety that can come when you see these events, almost as they happen, and hear or read news reports about the stresses in the banking system.

I am here to tell you that your deposits are safe.

Since its origination in 1933, FDIC deposit insurance has been around to provide confidence in the United States banking system. No one has ever lost a penny from an FDIC insured account. Depositors see this insurance come into effect if an insured bank fails.

Basic FDIC insurance covers deposits up to \$100,000 per depositor per insured bank, and \$250,000 for retirement accounts. You can go onto the FDIC website (and in your press packets, you have received material on how to access their website or by calling them toll-free) to learn how you can structure your accounts and legitimately expand FDIC insurance coverage. There is no reason for someone not to avail themselves of this information and resource.

A very important point: FDIC deposit insurance is exactly the same dollar amount for depositors in all insured institutions. It does not matter if your account is with the largest bank in the state or the

smallest bank in the state; whether your account is in a branch of a bank from another state or in a bank with only one location; whether your account is in a state bank or a national bank. The deposit insurance amount is exactly the same.

The Texas Department of Banking, like the FDIC, is in the business of bank supervision. We work extensively with the FDIC (and Federal Reserve and OCC) in bank supervision in Texas. When banks encounter problems, there is a process and structure to handle the issues in a manner that seeks to correct the problem and protect the public. If a problem develops to such a point that a bank's failure is imminent, we work with the FDIC to find a strong and capable purchaser. And in Texas, there are many banks capable of providing this assistance. If a bank actually fails, meaning the charter is surrendered and the stockholders lose their investment, the FDIC transfers the failed bank's assets and deposits to a winning bidder. Generally, depositors do not even skip a beat in having access to their funds – by check, in a teller line, at the ATM or through a debit card. I have confidence in this process to be seamless to depositors.

Again, your deposits are safe.

As an added point: The Texas banking system is strong and healthy, reflecting the Texas economy in general. Texas banks, as a whole, reflect higher capital levels, higher loan loss reserves, better earnings and better management experience compared to our past and compared to the rest of the country.

I am not trying to put you to sleep with numbers, but if you look at the charts I have provided that compare the Texas banking system and the banking system of the country, you will see that the Texas banking system is standing tall financially.

And the state's economy is stronger and more diversified than it has been in the past.

When you combine these factors, you have a banking system here capable of dealing with financial and economic problems in a safe and orderly fashion.

No, Texas is not detached from the rest of the country. Our state and our state's banks are reflecting the ripples of these financial stresses.

Yes, we are feeling the same types of economic pains other areas are experiencing, but not to the same extent.

Yes, Texas banks are reflecting slowdowns in economic activity. At the same time, we have many areas of the state reflecting substantial economic growth and activity. One example is the areas in Texas involved in oil and gas exploration and production.

No, I can not, and will not guarantee that Texas will not see one or more bank failures this year. What I can guarantee is that no one has lost a penny of FDIC-insured deposits.