FINANCIAL INSTITUTIONS REFORM, RECOVERY, AND ENFORCEMENT ACT OF 1989 pdf

1: About the FFIEC

The Financial Institutions Reform, Recovery, and Enforcement Act of (FIRREA), is a United States federal law enacted in the wake of the savings and loan crisis of the s.

Gale Encyclopedia of U. However, the end of the s threatened industrial prosperity with unprecedented high inflation and interest rates. The financial structure of the typical thrift was at the core of the problem. While interest rates remained stable, thrifts could earn acceptable profits. In regulators allowed thrifts to pay higher interest rates on certificates of deposit. This checked disintermediation savers going to other institutions , but the cost of funds rose. Profits, therefore, shrank or turned into losses. They sought relief from long-term, fixed-rate loans that tied them to low returns. Congress was not prepared to back an industry-wide bailout. Most promising was the ability to originate short-term consumer loans and high-yield commercial real estate loans. Even worse, in about 80 percent of the industry lost money. Congress reacted with additional deregulation in It passed the Garn-St. Germain Act, giving thrifts even broader investment powers. The government also allowed thrifts favorable reporting treatment. Purchasers of failing institutions were given special accounting privileges. The FHLBB allowed thrifts to reduce their capital requirements from five percent to three percent between and This leniency was allowed to keep troubled thrifts from being taken over by regulators. After deregulation, and with interest rates subsiding in , the industry appeared to be heading toward prosperity. Thrifts attempted to grow out of their problems by generating more high-yield investments. The real estate market was booming, so thrift managers were tempted to invest in risky commercial ventures. They often disregarded such factors as lack of expertise, unfamiliar geographic territories, and questionable appraisals and underwriting. Loan brokers and junk bond brokers also found an eager market in the thrift industry. Depositors continued to patronize savings institutions despite growing losses and failures. With this level of insurance, depositors had little fear of losing their savings at faltering institutions. Indeed, the failing institutions often offered the highest rates. In the Tax Reform Act repealed liberal depreciation and personal deduction provisions. Many commercial real estate deals were structured around such tax shelters. Without them, the enormous market for real-estate syndicates dried up. At the same time worldwide oil prices dropped, which negatively affected the economic health of states that relied on the oil industry. The real estate market in the Southwest went sour almost overnight, affecting real estate values throughout the country. The booming real estate market of â€” was transformed into an overbuilt market by Wall either concealed the depths of the FSLIC insolvency or did not recognize the extent of the problem. Matters were made worse by errors in judgment on the part of thrift managers, by the greed of investors, by weak examination and supervision practices by regulators, and by numerous alleged cases of fraud and misconduct on the part of thrift insiders, regulators, investors, and members of Congress. When President George Bush â€" took over the presidency in , he was extremely concerned about the unstable condition of the FSLIC and the accumulated losses at hundreds of thrifts. With the assistance of Richard C. Glauber, undersecretary in the Treasury Department, and L. The first was to improve the ability of regulators to supervise savings institutions by strengthening industry capital and accounting standards. The second was to return the federal deposit insurance fund to a sound financial base. The third was to provide funds to deal with the disposal of failed institutions. The fourth was to strengthen the enforcement ability of regulators through reconfigured powers and a new organizational structure. Two new additional organizations were created. Numerous thrift powers were restructured. FIRREA banned investment in junk bonds, limited investment in nonresidential loans, set loan-to-one-borrower limits to national bank levels, and placed strict limitations on loans to affiliated parties. Most important, it mandated that thrifts hold at least 70 percent of their assets in mortgage-related investments. Penalties for failure to comply were tough at both the corporate and the individual level. Core capital requirements were set at three percent of total assets, and tangible capital was set at 1. Thus, the definition of capital itself was altered. The previous reliance on RAP standards of accounting was abolished. His method of ensuring that old problems would not resurface was to subject surviving thrifts to the capital and accounting rules applied to national banks. Considerable controversy arose in the business community, especially among the thrifts that were directly affected. Some analysts believed that the capital requirements would bankrupt more institutions than necessary. There was a large group of thrifts working slowly to recover from their problems. They were not grossly insolvent but they would not be able to meet new capital requirements for years. Continued weaknesses within the real estate markets did not help. Imposing stringent standards on a weakened industry pushed hundreds of these thrifts over the brink. This presented the RTC with a larger, more expensive task than the government had expected. FIRREA caused all lending institutions to tighten credit practices, so businesses had to postpone or cancel worthy projects. Tight credit contributed to a declining economic climate. Banking regulators tightened oversight and enforcement in their industry. Although inflation and interest rates were in check, banking became more conservative. Many banks were satisfied to watch profit margins improve through lower costs of funds. The resulting "credit crunch" contributed to job losses throughout the economy. Closings and mergers within the thrift industry meant an additional dramatic drop in jobs. By the end of September, , the OTS estimated that thrifts 21 percent of the industry were on the brink of takeover. These institutions had not been seized because there was no money available to do so. The OTS intended to take over all failing institutions and have the RTC either sell them intact or liquidate them piecemeal. To dispose of a thrift intact, the RTC had to make up any negative net worth. Unless a thrift could open new depository markets for a bank, it did not offer much advantage to the prospective purchaser. Since fixed insurance premiums were not changed, risky institutions were afforded the same degree of protection at the same cost as safe institutions. A substantial amount of the borrowing was to be repaid from the sale of assets of failed thrifts. Unfortunately, asset sales could not cover the large borrowings. This shortfall became the responsibility of taxpayers. First, deregulation in the early s seemed to hamper thrift industry efforts to reverse losses. More lenient rules and broadened powers were not accompanied by stricter supervision. Second, the deposit insurance system encouraged carelessness on the part of depositors and depository institutions. Fixed-price premiums ignored risk and transgressed the cardinal rules of insurance. Third, FIRREA may have been based on sound intentions, but the effect was similar to that of overmedication of a sickly patient. Good principles applied abruptly may have led the industry toward extinction. Fourth, an improperly funded program cannot expect success. The final costs may not be known for generations. Inside the Savings and Loan Debacle. The Greatest-Ever Bank Robbery: The Collapse of the Savings and Loan Industry. Simon and Schuster, United States Congressional Budget Office. United States Congressional Budget Office, Cite this article Pick a style below, and copy the text for your bibliography.

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2: Financial Institutions Reform, Recovery, and Enforcement Act of - Wikipedia

financial institutions reform, recovery and enforcement act of AN ACT To reform, recapitalize, and consolidate the Federal deposit insurance system, to enhance the regulatory and enforcement powers of Federal financial institutions regulatory agencies, and for other purposes.

Conservator; powers and duties. Amendments to cease and desist authority with respect to restitution, restrictions on specific activities, grounds for issuance of a temporary order, and incomplete or inaccurate records. Merger of removal and prohibition authority. Industrywide application of removal, suspension, and prohibition orders. Enforcement proceedings allowed after separation from service. Expansion of removal powers for state criminal proceedings. Amendments to expand and increase civil money penalties. Clarification of criminal penalty provisions for violation of certain orders. Increased penalty for participation by convicted individuals. Amendments to various provisions of law relating to reports. Authority of the FDIC to take enforcement action against savings associations. Public disclosure of enforcement actions required. Agency disapproval of directors and senior executive officers of certain depository institutions. Improved administrative hearings and procedures. Task force study of delegation of enforcement actions. Annual report to Congress. Credit union audit requirements. Technical amendments relating to administrative and judicial review. Revision of procedures for termination of FDIC deposit insurance. Information required to be made available to outside auditors. Depository institution employee protection remedy. Reward for information leading to recoveries or civil penalties.

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3: Recovery And Enforcement Act Of Financial Institutions Reform | www.enganchecubano.com

Financial Institutions Reform, Recovery, and Enforcement Act of - Title I: Purpose - Sets forth the purposes of this Act. Title II: Federal Deposit Insurance Corporation Authorities and Responsibilities - Amends the Federal Deposit Insurance Act to require the Federal Deposit Insurance Corporation (FDIC) to insure deposits held at savings.

Laws acquire popular names as they make their way through Congress. History books, newspapers, and other sources use the popular name to refer to these laws. How the US Code is built. The United States Code is meant to be an organized, logical compilation of the laws passed by Congress. At its top level, it divides the world of legislation into fifty topically-organized Titles, and each Title is further subdivided into any number of logical subtopics. In theory, any law -- or individual provisions within any law -- passed by Congress should be classifiable into one or more slots in the framework of the Code. On the other hand, legislation often contains bundles of topically unrelated provisions that collectively respond to a particular public need or problem. A farm bill, for instance, might contain provisions that affect the tax status of farmers, their management of land or treatment of the environment, a system of price limits or supports, and so on. Each of these individual provisions would, logically, belong in a different place in the Code. The process of incorporating a newly-passed piece of legislation into the Code is known as "classification" -- essentially a process of deciding where in the logical organization of the Code the various parts of the particular law belong. Sometimes classification is easy; the law could be written with the Code in mind, and might specifically amend, extend, or repeal particular chunks of the existing Code, making it no great challenge to figure out how to classify its various parts. And as we said before, a particular law might be narrow in focus, making it both simple and sensible to move it wholesale into a particular slot in the Code. But this is not normally the case, and often different provisions of the law will logically belong in different, scattered locations in the Code. As a result, often the law will not be found in one place neatly identified by its popular name. Nor will a full-text search of the Code necessarily reveal where all the pieces have been scattered. Instead, those who classify laws into the Code typically leave a note explaining how a particular law has been classified into the Code. It is usually found in the Note section attached to a relevant section of the Code, usually under a paragraph identified as the "Short Title". Our Table of Popular Names is organized alphabetically by popular name. So-called "Short Title" links, and links to particular sections of the Code, will lead you to a textual roadmap the section notes describing how the particular law was incorporated into the Code. Finally, acts may be referred to by a different name, or may have been renamed, the links will take you to the appropriate listing in the table.

4: Financial Institutions Reform, Recovery And Enforcement Act (FIRREA)

BREAKING DOWN 'Financial Institutions Reform, Recovery And Enforcement Act' The Financial Institutions Reform, Recovery And Enforcement Act (FIRREA) was enacted in , following the savings and.

5: 12 U.S. Code Â§ a - Civil penalties | US Law | LII / Legal Information Institute

the Financial Institutions Reform, Recovery, and Enforcement Act of "(4) BANK INSURANCE FUND MEMBER.â€"The term 'Bank Insurance Fund member' means any depository institution the deposits of which are insured by the Bank Insurance Fund.

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