1995

Annual Report of the Resolution Trust Corporation – 1994

Resolution Trust Corporation

ANNUAL

REPORT

RTC

RESOLUTION TRUST CORPORATION

Resolving The Crisis
Restoring The Confidence

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Restoring The Confidence

August 31, 1995

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 1994. 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

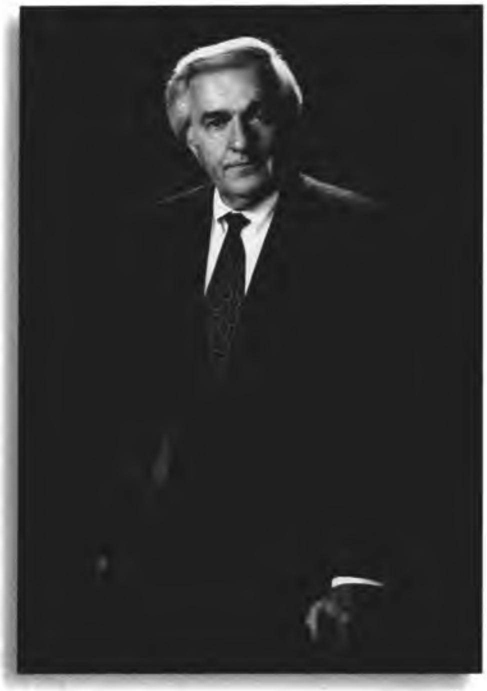
The year 1994 was a pivotal one for the Resolution Trust Corporation (RTC). All but one of the 63 conservatorships on hand at the end of 1993 were resolved during the year; the one remaining conservatorship was resolved in early 1995. The asset inventory of $63 billion was reduced to $25 billion and the planned downsizing of staff commensurate with workload demands was begun. A statutory interagency task force was formed and key decisions regarding personnel were made. This important work set the stage for the final year of the RTC.

The RTC closes its doors and ceases to exist on December 31, 1995, nearly six and one-half years after its creation in August 1989. The unfinished business of the RTC will be handed over to the Federal Deposit Insurance Corporation (FDIC), ending an unfortunate chapter in U.S. financial history, namely the savings and loan crisis.

When the final tally is in, the RTC will have resolved nearly 750 failed savings and loans, liquidated nearly half a trillion dollars in assets, and honored the federal insurance obligation to more than 25 million account holders in failed savings and loan associations. For the RTC to have accomplished such an enormous and complex task in its short life is unprecedented for a government agency, and I believe that an objective analysis will show it to be a real success story.

The RTC's accomplishments could not have been made without the dedication and hard work of its staff. Formed in 1989, with a nucleus of FDIC personnel, the RTC owes much of its success to the contributions of former Executive Director David Cooke, former Senior Vice President Lamar Kelly, former Senior Vice President Bill Roelle, and the thousands of RTC employees and contractors who worked tirelessly to achieve these results. Those of us who remain at the RTC — including 3,303 temporary employees, most of whom will lose their jobs as the RTC sunsets — must continue the task of reaching the RTC's operating goals for 1995 to ensure an orderly shutdown and transition to the FDIC.

June 30, 1995



John E. Ryan
Deputy and Acting Chief Executive Officer

The Resolution Trust Corporation (RTC) will soon complete its mission, one year ahead of the closure date originally mandated by Congress. Established on August 9, 1989, with Congressional passage of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), the RTC's job is to resolve one of the worst financial disasters in this nation's history—the failure of hundreds of savings and loans across the country. The RTC will shut its doors on December 31, 1995, when remaining RTC business and personnel will transfer to the Federal Deposit Insurance Corporation (FDIC).

The RTC fulfills the government's promise to protect insured deposits at failed institutions that had been insured by the Federal Savings and Loan Insurance Corporation (FSLIC) and for which a conservator or receiver was appointed from January 1, 1989, through June 30, 1995. The RTC manages and sells these failed institutions and recovers funds by managing and disposing of the thrifts' assets.

At yearend 1994, the RTC had sold or closed scores of failed thrifts placed in its hands by the Office of Thrift Supervision; only one institution remained in the RTC's conservatorship program. From its inception through 1994, the RTC resolved 744 failed thrifts, including 262 institutions turned over on August 9, 1989, its first day of business. In 1994, the RTC sold or closed 64 failed thrifts.

The RTC's sizable—and eclectic—inventory of assets, once belonging to the hundreds of thrifts that failed, diminished dramatically by yearend 1994 through innovative sales methods devised by the RTC. Asset sales and collections totaled $384.5 billion (net of putbacks) through 1994. The RTC achieved $27 billion (net of putbacks) in asset sales and collections during 1994 alone. At December 31, 1994, assets under RTC management totaled $25 billion.

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

Another RTC mandate is to ensure that as many savings and loan violators as possible are brought to justice, and to recover money from S&L wrongdoers on behalf of taxpayers. The RTC investigates, initiates civil litigation, and makes criminal referrals in cases involving former officers, directors, and other professionals who played a role in the thrifts' demise.

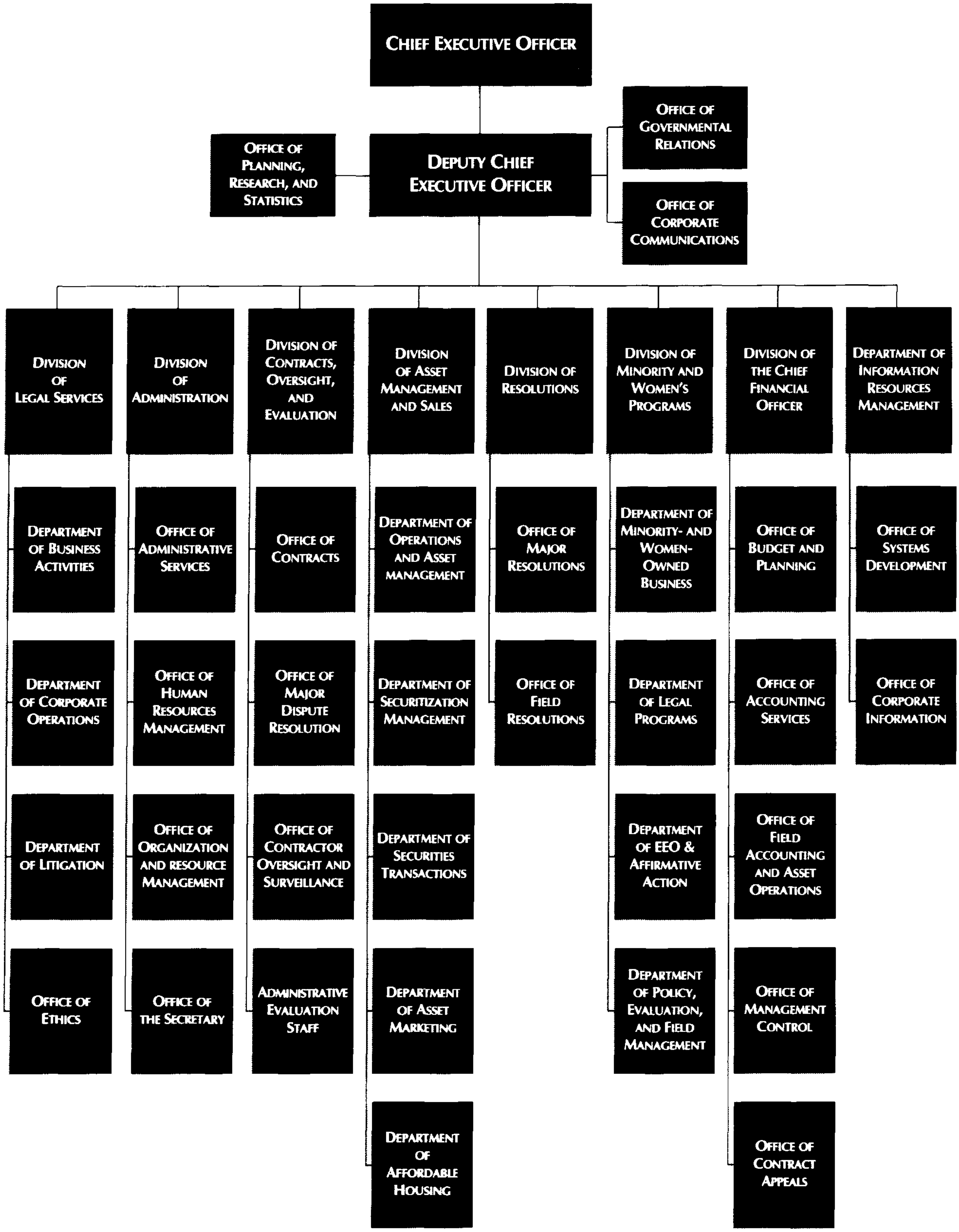
On December 21, 1991, the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act became law. This act provided the RTC with $25 billion in funding through April 1, 1992; extended the RTC's ability to accept appointment as conservator or receiver from August 9, 1992, set forth in 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 the Chief Executive Officer of the RTC, requiring appointment to that office by the President with the advice and consent of the Senate.

The RTC was without funds to resolve failed savings and loans from April 1, 1992, through December 17, 1993. With the December 17, 1993, enactment of the RTC Completion Act, the April 1, 1992, limitation on funds previously established under the RTC Refinancing, Restructuring, and Improvement Act of 1991 was lifted. The RTC was authorized to use up to $18.3 billion—funds remaining from the $25 billion authorized under the 1991 act—to resolve failed savings and loan institutions.

The RTC Completion Act included among its provisions extending the deadline for the RTC's appointment as conservator or receiver of savings associations from September 30, 1993, to a date between January 1 and July 1, 1995, to be determined by the Chairperson of the Thrift Depositor Protection Oversight Board. Secretary of the Treasury Lloyd Bentsen, the board's chairperson, determined on December 5, 1994, that the appointment deadline would extend through June 30, 1995.

The Completion Act also established a new

Resolution Trust Corporation Organizational Structure



termination date for the RTC—no later than December 31, 1995, at least one year earlier than previously established; expanded the RTC's minority and women's programs and affordable housing responsibilities; implemented numerous management reforms; and reduced 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.

Deputy Treasury Secretary Roger C. Altman served as interim Chief Executive Officer of the RTC until March 31, 1994. Following Mr. Altman's departure, Deputy CEO John E. Ryan, who joined the RTC on January 4, 1994, became Deputy and Acting CEO. The RTC Executive Committee, which serves as the policy-setting entity and addresses major operational matters—consisted of Deputy and Acting CEO Ryan (who served as chairman and a non-voting member); Ellen B. Kulka, General Counsel; Donna H. Cunninghame, Chief Financial Officer; Barry S. Kolatch, Vice President, Office of Planning, Research and Statistics; Jo-Ann Henry, Vice President, Division of Administration; John W. Lynn, Vice President, Division of Contracts, Oversight, and Evaluation; Thomas P. Horton, Vice President, Division of Asset Management and Sales; J. Paul Ramey, Vice President, Division of Resolutions; and Johnnie B. Booker, Vice President, Division of Minority and Women's Programs.

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.

In 1994, the RTC carried out its mission from offices throughout the country—its headquarters in Washington, D.C.; field offices and sales centers in 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.

PLANNING, RESEARCH, AND STATISTICS

GOVERNMENTAL RELATIONS

CORPORATE COMMUNICATIONS

The Offices of Planning, Research, and Statistics; Governmental Relations; and Corporate Communications report directly to the Deputy Chief Executive Officer.

Office of Planning, Research, and Statistics

The Office of Planning, Research, and Statistics provides research, planning, and analytical services to support operations throughout the Corporation, and serves as the Corporation's liaison with the Thrift Depositor Protection Oversight Board. Its principal unit is the Office of Research and Statistics.

During 1994, the office also provided support to the FDIC/RTC Transition Task Force, the RTC Office of Inspector General, and the FDIC Divisions of Resolutions and Supervision.

Office of Research and Statistics

The Office of Research and Statistics provides economic, financial, and statistical data and analyses 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 RTC management, Congress, outside agencies, and the public. Much of the information is provided in the *RTC Review,* a monthly publication produced by the section. Ad hoc information, analyses, charts, and tables are also prepared by the section. This includes analytical support in preparing the RTC Sales Goals, Business Plan, and various financial projections made by the RTC. In its role as administrator of the Corporate Information System, the section facilitates communication between users and system developers, and oversees 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 1994, the section wrote numerous congressional testimonies, updated the RTC Business Plan, developed briefing materials for senior management, and participated in compiling the RTC's history.

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 major and Accelerated Resolutions Program (ARP) resolutions, and provides technical assistance to field office personnel on field resolutions. During 1994, the section conducted the cost test on 19 major resolutions and 1 ARP resolution. The section also performs resolution cost analyses for financial statement purposes. It maintains a database on all resolutions and provides reports on the resolution process to RTC senior management, the Thrift Depositor Protection Oversight Board, Congress, and the General Accounting Office. With the assistance of the Financial Markets and Institutions Section, the Cost Analysis Section also conducts the quarterly ECR process for the valuation of receivership assets.

Office of Governmental Relations

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

During the year, the office participated in five hearings and numerous legislative mark-ups affecting RTC operations. The office continued to track legislation of importance to the

RTC. From inception to year-end 1994, the office took part in approximately 1,000 meetings with members of Congress or their staffs, and responded to over 46,000 telephone and written inquiries from Congressional offices. In addition, the office has responded to numerous requests from Congress for documents and reports pertaining to Congressional oversight of the operations of the RTC.

Office of Corporate Communications

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

The staff issues national and field press releases and provides copy to various publications throughout the year. 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 in advance of speaking engagements. In addition, the office 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 and a weekly wrap-up of print coverage.

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 environmental matters.

In April 1994, the General Counsel, who heads the division, reorganized its management structure to deal more effectively with the work facing the division. The Division of Legal Services consists of the Departments of Business Activities, Corporate Operations, and Litigation; and the Office of Ethics.

Department of Business Activities

The Department of Business Activities 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 also provides legal advice on conservatorship operations and the resolution of failed savings associations, including pension and employee benefits issues, and matters related to RTC contracting activities. In addition, the department provides general oversight for and liaison with attorneys in the field offices.

The department is comprised of the Offices of Real Estate, Securities and Finance, Receiverships/Conservatorships, Contracts, and Field Office Operations.

Office of Real Estate

In 1994, the Office of Real Estate assisted the Corporation in closing billions of dollars in sales of real estate and loans through sealed-bid offerings, portfolio sales, and open-cry auctions. The office also provided legal support for the settlement activities of the Settlement Workout Asset Team (SWAT) Program, and legal advice to the Corporation on environmental law and other real estate-related issues.

The office provided legal support on several major real estate transactions, including Land Fund II, in which nearly $370 million (book value) in land and loans secured by land were sold through a limited partnership arrangement; and Landmark II, which offered golf courses 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 also coordinated legal services for the RTC's three national loan auctions in 1994, at which over $1 billion (book value) in loans were sold, and the National Loan Auction Program.

The office assisted in the preparation of Environmental II, the sealed bid sale of environmentally impaired and special resource assets, and loans secured by such assets; and in the Judgments, Deficiencies, and Chargeoffs (JDC) initiative, a partnership arrangement that sold approximately $7 billion (book value) of judgments, deficiencies, and chargeoffs between December 1, 1993, and December 31, 1994.

The Environmental Section reviewed environmental conditions relating to sales initiatives, advised the Corporation on the disposition of environmentally impaired or environmentally sensitive properties, and addressed environmentally related claims.

Office of Securities and Finance

The Office of Securities and Finance provides legal support for financial asset sales, including loan securitizations, whole loan sales, and sales of portfolio securities. The office drafts and reviews transaction documents, supervises outside counsel for sales conducted through headquarters in Washington, D.C., and provides advice to field attorneys on transactions conducted through the field offices. The office also advises on the disposition of qualified financial contracts and the removal of contingent liabilities related to bond financings.

In 1994, the Office of Securities and Finance assisted with 12 mortgage-backed securities transactions resulting in the sale of approximately $4.2 billion (book value) of single-family, multifamily, and commercial loans.

In addition, the office assisted in disposing of a variety of high-yield and other securities. In 1994, the RTC sold over $1.8 billion (par value) in securities, including limited partnership interests, highly leveraged transaction loans, various types of equity securities, and junk bonds.

Office of Receiverships/ Conservatorships

The Office of Receiverships/ Conservatorships provides legal advice, documentation, and other support to the Office of Operations and the Division of Resolutions on claims administration, conservatorship operations, receivership terminations, subsidiary sales, resolutions of failed savings associations, pension and employee benefits, and tax matters.

During 1994, the office provided legal support and documentation for 19 major resolutions (final dispositions of institutions with more than $500 million in deposits at conservatorship) and 45 field resolutions (final dispositions of institutions with $500 million or less in deposits at conservatorship). These resolutions involved institutions with total deposits of $15 billion and saved $1.1 billion over the cost of paying off the institutions' insured deposits.

In accordance with provisions in the RTC Completion Act, the office drafted and published a new RTC regulation defining the term "Predominantly Minority Neighborhood" as used in statutes authorizing various minority preference programs. The office also drafted a new directive implementing that regulation.

The office assisted in the termination of 81 receiverships in 1994, and provided legal review and support for the approval of 127 termination cases during this period. The office also helped to obtain a judgment against the Financial Institutions Retirement Fund for the return of $5 million in excess pension assets.

The office assisted the Department of Litigation in publishing an interim policy statement and a proposed rule in the *Federal Register* regarding the treatment of claims based upon acts and omissions of a receiver.

Office of Contracts

The Office of Contracts provides support in maintaining fair and uniform policies and procedures in the contracting for goods and services, addresses issues arising from the RTC's contractor ethics program and Standard Asset Management Disposition Agreement (SAMDA) management, participates in the resolution of contract disputes, and assists in deterring contractor fraud and obtaining restitution relating to it.

The Office of Contracts' client group includes the Office of Contracts (of the Division of Contracts, Oversight, and Evaluation), Office of Major Dispute Resolution, Office of SAMDA Program Management, Office of Ethics, Office of Contractor Oversight and Surveillance, and the Department of Minority- and Women-Owned Business.

During 1994, the office handled over 1,600 contracting operation actions including contract reviews, modifications, drafts, and legal opinions; 125 Office of Ethics actions consisting of reviews of cases for suspension, exclusion, or contract eligibility determination; 550 Office of Contractor Oversight and Surveillance contract audit reviews; 28 SAMDA Program Management audit reviews, contract interpretations, and legal opinions; and 33 Office of Major Dispute Resolution contract actions, either settlements of issues pending, collection of outstanding claims, initiation/ defense of litigation, or pending negotiations in progress.

Office of Field Office Operations

The Office of Field Office Operations, established in 1994 as part of the division's reorganization, is responsible for general oversight of the division's six field components (in Atlanta, Dallas, Denver, Kansas City, Newport Beach, and Valley Forge), which provide the majority of legal services used by the RTC. Although most asset disposition and other business initiatives originate from headquarters, primary responsibility for their successful implementation rests with field office staff.

In its liaison role, the Office of Field Office Operations is responsible for improving communication and coordination between the field offices and headquarters. With the decision in early 1994 to close the field offices in Denver and Kansas City before the RTC's sunset, substantial office resources were devoted to RTC/FDIC transition matters, which will be an increasingly important function throughout 1995.

Department of Corporate Operations

The Department of Corporate Operations oversees all legal matters pertaining to the RTC's internal corporate structure, governance, and procedure, as well as legislative and policy matters. It oversees policies and procedures for the retention of outside counsel, including contracting with outside counsel; the RTC Legal Information System (RLIS); and the Accelerated Payment Program/Unpaid Invoice Confirmation project. The department is responsible for all legal matters involving the RTC as a federal employer, including personnel, labor-relations, and general employment matters.

The department consists of the Offices of Corporate Issues, Outside Counsel Management, Labor/Employment, and Administration.

Office of Corporate Issues

During 1994, the Office of Corporate Issues provided legal support and analysis on RTC-related legislation and reviewed congressional correspondence prepared by the Division of Legal Services.

The office also drafted and coordinated the preparation of regulations and directives implementing the RTC Completion Act, enacted on December 17, 1993; provided legal advice concerning Freedom of Information Act and disclosure issues; and prepared numerous responses to requests from Congress for documents relating to pending RTC investigations.

The office also assisted in the administration and oversight of the Settlement Workout Asset Team Program at headquarters and in the field offices; and in matters involving RTC internal corporate governance, law, and procedure, including drafting CEO resolutions and delegations of authority needed to support the new Office of the Deputy Chief Executive Officer established in January 1994.

During the year, the office provided legal advice on various issues relating to the RTC/FDIC transition, including an analysis of which laws will apply to RTC operations after sunset.

Office of Outside Counsel Management

The Office of Outside Counsel Management oversees policies and procedures for retaining outside counsel, contracting with outside counsel, and resolving outside counsel conflicts of interest. The office consists of the Legal Contracting Unit, Legal Services Unit, Outside Counsel Conflicts Unit, and RTC Legal Information System Unit, and oversees the Accelerated Payment Program/Unpaid Invoice Confirmation project.

During 1994, the Legal Contracting Unit created new procedures and revised previous ones in order to implement the provisions of the RTC Completion Act, as it applies to outside counsel retention, and to improve outside counsel management activities. The unit redrafted and issued the revised Warranted Legal Officer Program and its Guidelines, Legal Contracting Procedures, RTC Fee Cap Directive, and RTC Byrd Amendment Policy. The unit initiated an invoice review program and served as the liaison with the RTC internal controls review program. The unit acts as the division's liaison with the RTC Office of Inspector General (OIG) on the OIG's audits of outside counsel.

The Legal Services Unit provides chair and staff support to the Washington, D.C., Legal Services Committee, which ensures that all RTC policies and procedures have been followed in selecting outside counsel and approves the selection of law firms. During 1994, the committee approved 181 legal referrals with budgeted fees and expenses of approximately $43 million.

The Legal Services Unit, in coordination with the RLIS Unit, monitored the division's nationwide outreach efforts to minority- and women-owned law firms (MWOLF). As a direct result of the minority outreach program, MWOLFs received 30 percent ($51 million) of all RTC legal fees paid from January 1, 1994, through December 31, 1994.

The Outside Counsel Conflicts Unit continued to provide support to the joint RTC/FDIC Outside Counsel Conflicts Committee, which considered approximately 600 matters in 1994. The unit drafted policies and procedures for the division's outside counsel background investigations program, which became effective on September 30, 1994, and continued overseeing the program's implementation. At yearend 1994, background investigations were either completed or underway for 34 RTC law firms.

The Outside Counsel Conflicts Unit also coordinated the development and implementation of a computer-based conflicts tracking system (CTRACK), available to all division personnel in each field office and in Washington, D.C. Unit personnel completed CTRACK training for division users in five of the six field offices; the remainder of the training was scheduled for January 1995. In early 1995, the unit will issue revised RTC conflicts procedures, reflecting changes arising from the division's reorganization and the reallocation of certain responsibilities from the field office conflicts coordinators to the Outside Counsel Conflicts Unit in Washington, D.C.

The office's RLIS Unit processed 74,000 invoices in 1994, representing $216 million in payments to outside counsel. The unit saved the RTC over $9 million by reviewing and adjusting outside counsel invoices in accordance with division policies. The RLIS Management Users Group also adopted a Data Quality Action Plan, which reviews and verifies RLIS information.

Through the Accelerated Payment Program/Unpaid Invoice Confirmation project, the division verified $259 million in invoices for outside counsel, or 92 percent of the program's goal from February 1992 through December 31, 1994. The division collected, or verified as previously collected, $4.4 million in overpayments to outside counsel during the same period.

Office of Labor/Employment

Throughout 1994, the Office of Labor/Employment advised and assisted RTC management on personnel, equal employment opportunity, and labor matters involving the return of RTC-assigned employees to the FDIC, the ramifications of the RTC's reorganization and downsizing, and the RTC's sunset.

Office of Labor/Employment attorneys act as representatives of the Corporation in all administrative litigation nationwide, and as the Corporation's counsel with Assistant U.S. Attorneys in related federal court proceedings, including actions based on whistleblower retaliation. In 1994, the office represented the RTC in 124 cases, including 25 Merit System Protection Board cases, 79 Equal Employment Opportunity Commission cases, and 20 Title VII and whistleblower actions brought in federal district court.

The office conducted legal reviews of 264 garnishment actions, including tax levies, bankruptcy, child/spousal support, and commercial debts.

Office of Administration

The Office of Administration is responsible for meeting the administrative needs of the Division of Legal Services, including hiring, preparation of personnel actions, office space, budget, and training. The office also serves as the liaison between division employees and the Office of Human Resources Management.

The office prepares and executes the budget for the Division of Legal Services nationwide. As the liaison to the Office of Budget and Planning, the Office of Administration analyzes expenditure variances in accordance with quarterly reporting requirements.

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 General Litigation, Complex Litigation, and Professional Liability, which oversees the Office of Investigations.

Office of General Litigation

The Office of General Litigation's principal responsibility is overseeing most of the RTC's civil litigation portfolio, in both the trial and appellate courts. The office also coordinates with other federal agencies, such as the FDIC and the Department of Justice, on issues of mutual interest, and advises senior RTC management on matters of litigation policy.

In addition to managing the RTC's trial court litigation matters, the office manages cases dealing with legal issues impacting RTC policy or those for which it is important that the RTC take a consistent position nationwide.

At any given time, the office is involved in approximately 500 such "significant-issue cases." In 1994, the office noted a marked decrease in trial court suits arising from the actions of failed thrifts and a substantial increase in cases involving disputes with RTC contractors, cases arising out of RTC asset sales efforts, and cases seeking relief from the RTC in its corporate capacity.

The office was overseeing nearly 290 appellate matters at yearend 1994. This portfolio included 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 of the states. During 1994, the office began to increase the amount of work done in-house, particularly at the appellate level. During the year, approximately 24 appeals case were successfully argued by staff counsel.

Office of Complex Litigation

The Office of Complex Litigation oversees all bankruptcy cases in which the RTC as receiver or conservator had a vested interest, and all forms of alternative dispute resolution. The office also shares responsibility with the Office of General Litigation for overseeing trial and appellate litigation.

During 1994, the RTC received a cash payment of $30,792,145 from Ensign Financial Corporation and its former chairman, Ted Arison, who had allegedly failed to maintain the net worth of Ensign Bank, F.S.B., New York, New York. The Office of Thrift Supervision (OTS) declared Ensign Bank, F.S.B. insolvent and placed it in RTC conservatorship on August 31, 1990. Under FIRREA, the OTS abrogated an earlier agreement allowing Ensign to treat $171 million in supervisory goodwill as capital. Upon receiving the $30,792,145 payment and release of the holding company's goodwill claims against the OTS, the RTC released all director and officer claims as well as claims based upon the institution's net worth maintenance agreement.

The office pursued false and fraudulent representations pertaining to the RTC's Affordable Housing Disposition Program, and enforced land use restriction agreements, and the statutory and regulatory requirements of the affordable housing program. The office began developing procedures to pursue these claims nationwide, in cooperation with the U.S. Department of Justice.

At yearend 1994, the office was handling 1,337 active bankruptcy matters with approximately $6 billion of RTC claims. The office reorganized significant bankruptcy claims associated with the plan of reorganization for the Landmark Land Companies, reducing 43 claims valued at $152 million at the beginning of the year to six claims valued at $30 million at yearend.

During 1994, the office handled approximately 40 alternative dispute resolution matters, including mediation. The office is continuing to cooperate in developing and implementing alternative dispute resolution procedures to assist in the resolution of claims against the RTC.

The office is responsible for the prosecution of claims arising from junk bond investments by financial institutions placed under RTC or FDIC supervision. At yearend, the office had obtained cash recoveries totaling over $970 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 approximately $911 million, which includes approximately $409 million from the Drexel Burnham Lambert bankruptcy securities litigation. At yearend 1994, Drexel-related recoveries totaled approximately $170 million in cash; the RTC's share of these recoveries is approximately $159 million.

Office of Professional Liability

The Office of Professional Liability (PLS) 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 1994, the office was in the process of prosecuting 233 civil actions arising from 187 failed institutions. From the RTC's inception through December 31, 1994, PLS obtained judgments and executed professional liability settlement agreements that will result in recoveries of approximately $1.326 billion. Of this total, approximately $1.188 billion in settlements and more than $21.81 million in judgments had been collected by December 31, 1994. In addition, by yearend the RTC had recovered more than $910 million from the Drexel/Michael Milken settlements (Michael Milken headed Drexel's high-yield bond department), bringing total yearend 1994 recoveries to approximately $2.121 billion.

In 1994, the RTC fully implemented managerial reforms required by the RTC Completion Act by centralizing control over all PLS personnel, cases, and investigations, and incorporating the RTC's Office of Investigations into the Division of Legal Services under the supervision of the Associate General Counsel for PLS. Additionally, pursuant to the Completion Act, two semi-annual reports, covering the periods October 1, 1993, to March 31, 1994, and April 1, 1994, to September 30, 1994, respectively, concerning all pending professional liability cases were prepared and submitted to Congress. The office has also established a procedure for reviewing potential claims based on fraud and intentional misconduct that were revived by the Completion Act. PLS will continue its review of such claims in 1995.

In June 1994, PLS held its second RTC PLS Training Conference for attorneys and investigators from PLS offices nationwide. This two-and-one-half day program offered basic and advanced PLS seminars covering all areas of PLS investigations and claims.

Office of Investigations

The Office of Investigations examines all failed thrifts under the RTC's supervision to determine the nature and amount of the thrifts' losses, identify possible claims, and determine potential recovery sources. When judged to be cost-effective, the RTC pursues professional liability and civil fraud claims against directors, officers, professionals, and others who caused losses to the failed institutions.

RTC investigators work under the direction of the Office of Professional Liability and other offices of the Division of Legal Services in bringing claims against those causing losses to thrifts. The Office of Investigations also 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 in August 1989 through December 31, 1994, the office assisted in the recovery of substantial funds from a variety of sources:

Professional liability recoveries, including Drexel/Milken:
$2,121,000,000

Financial Surety Corporation, Dallas, TX:
$1,225,000

Other recoveries, including civil and borrower fraud:
$54,122,661

Office of Ethics

The Office of Ethics administers regulations governing the fitness and integrity of independent contractors that do business with the RTC, and enforces suspension and exclusion regulations.

The office also 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 ensures that employees and contractor ethics policies and procedures are followed in the RTC's field offices.

In 1994, the Office of Ethics issued ethics advisory opinions on job seeking; establishing a personal business enterprise while employed by the RTC; outside employment and other activities; and gifts and holiday parties. The office also issued several ethics publications to employees, including *Do's and Don'ts of Networking and Job Seeking, Do's and Don'ts of Establishing Your Own Enterprise While Employed by the RTC,* and the revised *Post Employment Package.* The Office of Ethics developed a post-employment video, which is being used by the RTC, the FDIC, and other federal agencies, and a training module entitled "Seeking and Post Employment," which complements the RTC's "Career Transition" training module.

The office created electronic versions of the Public and Confidential Financial Disclosure forms, which the RTC began using in 1994. The National Employee Ethics Tracking System (NEETS) database, being used by the RTC and other federal agencies, was developed by the Office of Ethics to track financial disclosure forms and disqualification letters on current and former RTC employees.

In 1994, 121 individuals and entities received final notices of exclusion, which bar them from contracting with the RTC for a certain period.

The following table reflects criminal activity by savings and loan directors, officers, and other professionals detected by the RTC, the Office of Thrift Supervision, and others; and legal action undertaken by the Department of Justice from the inception of the RTC through December 31, 1994:

CRIMINAL ACTIVITY DETECTED BY THE RTC	
Number of defendants charged relating to RTC institutions:	2,028
Number of convictions:	1,859
Number sentenced:	1,779
Number awaiting sentence:	80
Total number of restitution orders:	1,375
Total restitution ordered:	$523,218,923
Total restitution collected:	$21,108,189

ADMINISTRATION

The Division of Administration is the main provider of corporate services for the RTC. It provides administrative services to the Corporation in a wide range of areas, including personnel, organization and management analysis, facilities, and executive secretariat responsibilities. The division is comprised of the Offices of Administrative Services, Human Resources Management, Organization and Resource Management, and the Secretary.

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 the field offices in these areas.

In 1994, the office began transition planning on various administrative support matters, coordinating efforts between the FDIC and the RTC at headquarters and in the field. New management procedures were implemented to ensure a smooth transition and to oversee the office closing process.

During the year, the office negotiated and implemented sub-lease agreements or lease buyouts at closed office sites, and consolidated the travel audit function in Washington, D.C., for headquarters and the Atlanta and Valley Forge offices. Additionally, the office provided for storage and retrieval services for approximately 1.9 million cubic feet of RTC and institution records at eight locations across the country.

Office of Human Resources Management

The Office of Human Resources Management (OHRM) 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 1994, a large portion of OHRM's work was geared toward assisting in the RTC's downsizing efforts and transition planning for the return of RTC personnel to the FDIC.

OHRM offered several programs to prepare employees for change and to teach effective job-search skills. In addition, OHRM established resource rooms to provide job-search materials, and to assist employees with resume and job application preparation.

To ensure the accuracy of employee records, OHRM established the Official Personnel Folder Review Committee, which conducted a review of more than 4,000 official personnel folders to identify and correct errors in retirement and benefit programs.

To meet the specialized needs of the increasing number of separating employees, OHRM's Personnel Services Branch reorganized and created the Separation and Quality Assurance Team, which exclusively handles all personnel matters relating to employee separations from the RTC.

OHRM also held a well-attended Health Benefits Fair at headquarters to publicize insurance options available under the Federal Employees Health Benefits (FEHB) Program. A large number of employees elected to enroll in FEHB plans in anticipation of joining other federal agencies as the RTC downsizes.

The office oversaw the implementation of the electronic Personnel Action Request System (PARS), an on-line automated system designed to process and track requests for personnel actions that significantly increased the efficiency and timeliness of processing personnel actions. OHRM also implemented an automated system for the distribution of Notification of Personnel Actions (Standard Form 50), which has streamlined OHRM's processing of personnel actions.

Office of Organization and Resource Management

The Office of Organization and Resource Management (OORM) provides organization and management analysis services to the Corporation. The office is also the focal point for all budget formulation, execution, analysis, and reporting for the Division of Administration; the Division of Contracts, Oversight, and Evaluation; and the Offices of Corporate Communications and Governmental Relations.

In 1994, OORM concluded an extensive study of the RTC's contract processing work flow and time frames to identify efficiencies and to develop performance standards. The RTC's contracts tracking system was also reviewed in an effort to improve reporting capabilities. OORM also analyzed OHRM's workload and staffing of personnel functions, and established workload to staffing ratios for that office.

The office continued to chair the RTC-wide Delegations Committee, whose goal is to bring greater uniformity among the various sections of the RTC's Master Delegations of Authority (delegations of authority under which the RTC operates) and also acted as the contact point for RTC field employees requesting clarifications and interpretations of the Master Delegations of Authority. In addition, OORM updated and distributed the Corporation's organizational charts, administrative services directories, and headquarters and field executive directories.

The office worked with the Division of the Chief Financial Officer to report on the status of internal control reviews within the Division of Administration and the Division of Contracts, Oversight, and Evaluation.

The office formulated the 1994 budgets for the Division of Administration; the Division of Contracts, Oversight, and Evaluation; and the Offices of Corporate Communications and Governmental Relations. OORM provided policy guidance and direction in the adjustment of the operating budgets over the course of the year for those offices.

OORM furnished staff, contract, facilities, and workload data to support the RTC/FDIC transition effort. In addition, the office provided extensive analytical support to the FDIC's acting Deputy Chief Operating Officer on the transition of RTC functions and staff to the FDIC. This included a comparative analysis of RTC and FDIC organizations and functions, and an analysis of the transition recommendations included in Vice President Gore's National Performance Review on reinventing the federal government.

Office of the Secretary

The Office of the Secretary manages the decision-making process for the RTC's senior executives, including recordkeeping and information-dissemination, and administers nationwide programs to provide the public with complaint-resolution services and access to RTC information. During the year, the office began coordinating the efforts of RTC and FDIC staff to compile a history of the RTC in response to a recommendation by the Thrift Depositor Protection Oversight Board. At the RTC's sunset, the FDIC will assume responsibility for completing and publishing the history.

In 1994, the office processed more than 900 decisions approved by the RTC Deputy and Acting CEO, Executive Committee, headquarters vice presidents, and Information Resources Management Steering and Audit Resolution Committees. The office responded to more than 1,700 requests for information about actions taken by the former RTC Board of Directors, CEO, and other senior officials. The office also processed 2,769 litigation filings.

The office oversees the RTC's Client Responsiveness Program, which handled more than 32,200 requests in 1994. During the year, the office responded to 259,508 requests for various documents and information. The office received 1,124 Freedom of Information and Privacy Act requests in 1994, and completed responses to 1,106 such requests by yearend.

In 1994, the Employee Ombudsman Program resolved approximately 424 requests for assistance from employees. The program provides employees with the opportunity to voice concerns and ideas to the RTC's CEO.

CONTRACTS, OVERSIGHT, AND EVALUATION

The Division of Contracts, Oversight, and Evaluation oversees virtually all aspects of the RTC's contracting process. The division is comprised of the Offices of Contracts; Major Dispute Resolution; and Contractor Oversight and Surveillance; and the Administrative Evaluation Staff.

Office of Contracts

The Office of Contracts awards and administers contracts at headquarters, and coordinates and oversees contracting activity at RTC field offices, conservatorships, and receiverships. The office develops corporate-wide contracting policies and procedures, and ensures that they are communicated to employees through written guidance and training. The office also administers the Warranted Contracting Officer Program, which identifies employees who are authorized to bind the RTC contractually, and oversees the RTC's contracting information system.

In 1994, the office's operational focus shifted to contract administration and close-out activities, including audit resolution and claims processing. The office revised and updated the RTC Contract Policies and Procedures Manual to address remaining Completion Act requirements and recommendations by the General Accounting Office and the RTC Office of Inspector General; and to explain the audit resolution and claims appeals processes. The office developed the Guide for Transition Planning to ensure a smooth transfer of RTC contracting activities, contracting automated information systems, and contracting corporate records to the FDIC by December 31, 1995.

The following chart shows RTC contracting activity nationwide from inception in August 1989 through 1994: ▶

RTC CONTRACTING ACTIVITY

Year	Awards	Estimated Fees
1989	218	$ 2,863,584
1990	10,473	478,353,216
1991	47,584	1,783,407,218
1992	46,090	1,338,009,923
1993	24,620	576,142,325
1994	17,973	553,612,768
TOTAL	**146,958**	**$4,732,389,034**

Note: Figures published in the 1993 RTC Annual Report have been restated to reflect contract amendments, extensions, and renegotiations made over time.

Office of Major Dispute Resolution

The Office of Major Dispute Resolution addresses major claims and disputes arising from RTC contractual relationships with private sector firms. The office also responds to questions raised by audit organizations, including the General Accounting Office, and the RTC's Office of Inspector General and Office of Contractor Oversight and Surveillance.

The Office of Major Dispute Resolution assembles, analyzes, and evaluates documents associated with major claims and disputes, researches and assesses the merits of each claim, and negotiates with contractors to ultimately resolve all outstanding issues.

Office of Contractor Oversight and Surveillance

The Office of Contractor Oversight and Surveillance assists program offices and the Office of Contracts in engaging, monitoring, and evaluating major contractors. It 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.

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 1994, the office completed background investigations of 13,563 contractors and 33,607 contractor personnel. It closed 436 contractor fitness and integrity investigations, resulting in 150 suspension and exclusion actions. The office issued 288 performance and financial review reports of RTC contractors during the year, recommending improvements in contractor operations and identifying more than $68 million in questionable costs.

During the fourth quarter of 1994, the office implemented procedures to conduct fitness and integrity background investigations of law firms doing or seeking to do business with the RTC.

The office established and achieved minority outreach goals for hiring independent public accounting firms to conduct contractor reviews. In 1994, more than 43 percent of the office's review contracts were awarded to minority- or women-owned firms or joint ventures.

Administrative Evaluation Staff

In 1994, the Administrative Evaluation Staff continued analyzing and reviewing the implementation of contracting and administrative programs throughout the RTC. The office completed two Program Compliance Reviews of contracting and administrative activities at each of the six field sites and at headquarters.

The division continued its evaluation of the program offices' compliance with the Corporation's delegations of authority. The staff made recommendations on improving the RTC's operating and management practices. It also assessed the division's vulnerabilities as a result of the Corporation's downsizing and transition back to the FDIC.

ASSET MANAGEMENT AND SALES

The Division of Asset Management and Sales manages and disposes of assets acquired from failed thrifts, and oversees the management and operation of insolvent thrifts in conservatorship and receivership.

During 1994, RTC asset sales and collections totaled $27 billion (net of putbacks). From inception through yearend 1994, asset sales and collections amounted to $384.5 billion (net of putbacks); book value reductions totaled $439 billion for the same period. The asset inventory remaining at yearend 1994 totaled $25 billion.

As the year began, 63 thrifts were in the RTC's conservatorship program; no new thrifts entered the program during 1994. Sixty-two conservatorships were resolved, leaving only one conservatorship on December 31, 1994. Two non-conservatorship thrifts were resolved during the year through the Accelerated Resolutions Program. At yearend, 211 receiverships had been approved for termination; of those, 96 were terminated and 115 were in the process of being terminated. In addition, 533 open receiverships (not yet approved for termination) remained in the RTC's inventory at the close of 1994.

The division consists of the Departments of Operations and Asset Management, Securitization Management, Securities Transactions, Asset Marketing, and Affordable Housing.

Department of Operations and Asset Management

The Department of Operations and Asset Management oversees conservatorship and receivership operations, coordinates national asset sales initiatives, and develops and implements policies and procedures governing the management and disposition of assets. The department consists of the Offices of Operations, Settlement Workout and Risk Management, SAMDA Program Management, and Systems and Transaction Review; and the Asset Policy, Environmental, and Seller Financing Branches.

The following chart details asset sales, collections, and other conservatorship activities during 1994. ▶

1994 CONSERVATORSHIP ASSET SALES AND OTHER ACTIVITIES

(dollars in millions)

	1/1/94 Balance	New Institutions	Activities*			Resolutions	12/31/94 Balance††
	63 Institutions	0 Institutions	Sales	Collections	Adjustments**	62 Institutions†	1 Institution
Cash and Securities‡	$ 7,840	$0	$ 748	$ 4,432	$ 2,586	$ 4,485	$ 761
1-4 Family Mortgages	5,038	0	528	613	(163)	2,933	801
Other Mortgages	4,343	0	561	330	(324)	2,989	139
Other Loans‡‡	1,324	0	782	1,024	1,192	630	79
Owned Assets§	1,102	0	343	5	(76)	663	14
Other Assets¤	3,519	0	282	836	479	2,608	273
Total	**$23,166**	**$0**	**$3,244**	**$7,240**	**$3,695**	**$14,309**	**$2,068**

Note: Detail may not add to totals due to rounding.
*** Includes activities from all institutions in conservatorship at any time during 1994.**
**** Includes new asset purchases, valuation revisions, and other transactions affecting value.**
† These figures are extracted from the Financial Management System.
†† includes remaining assets from Standard FSA, Gaithersburg, MD, resolved on November 18, 1994, in addition to the assets of the one remaining conservatorship.
‡ Includes investment-grade securities and mortgage-pool securities.
‡‡ Includes commercial, consumer, and student loans.
§ Consists of repossessed residential and non-residential real estate, land, and other repossessed assets.
¤ Includes a wide array of assets, some types of mortgage servicing rights, office equipment, and subsidiary companies of controlled institutions.

Office of Operations

The Office of Operations, with 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, and administers post-resolution settlement activity with acquirers.

The office 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, administers policies promoting the settlement of delinquent obligations of potential asset purchasers with the RTC and the FDIC prior to the sale of assets, 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 through yearend 1994, 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 1994, 705 conservatorships were resolved, leaving one unresolved conservatorship at yearend.

At the beginning of 1994, the RTC was managing 63 conservatorships. During the year, no additional thrifts entered the program, and 62 conservatorships were resolved.

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, 1993, totaled $23.2 billion; they were reduced to $2.1 billion by yearend 1994 (this figure includes $714 million in assets of one institution that was resolved on November 18, 1994). The resolution of 62 conservatorships during the year removed $14.3 billion in assets from the program. Book value sales and collections during 1994 totaled $10.5 billion.

The overall liability expenses of the institutions being prepared for resolution are reduced by eliminating wholesale (high-cost) deposits,

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

◄

CONSERVATORSHIP INSTITUTIONS 1989-1994

	Conservatorships Established	Conservatorships Resolved	Total Resolutions
Pre-FIRREA	262	0	0
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††
1994	0	62	64‡
Total 1989-94	**706**	**705**	**744‡‡**

* 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.

‡ Includes two non-conservatorship institutions resolved through ARP.

‡‡ Includes 39 non-conservatorship institutions, 37 of which were resolved through ARP.

The following chart summarizes RTC advance activity in conservatorships and receiverships during 1994:

1994 RTC CONSERVATORSHIP AND RECEIVERSHIP ADVANCE ACTIVITY

Principal Amount Only (dollars in billions)

Advances Outstanding at 12/31/93	**$11.9**
Total Advances Made in 1994	**1.9**
Total Advances Paid in 1994	**(5.8)***
Advances Outstanding at 12/31/94	**$ 8.1**

*Advances paid balance includes $920 million in non-cash payments, but does not include $523 million in interest collections during 1994.

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

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 63 institutions operating in the RTC conservatorship program during 1994, a total salary savings of $57.3 million was achieved, with a corresponding reduction of 939 officers from pre-conservatorship totals. Compensation paid to all officers (including senior executives) in RTC conservatorships in operation during 1994 is listed in the table "Total Executive Compensation for RTC Conservatorships in 1994," page 31. Receiverships do not have officers or directors; therefore, there is no schedule for their compensation.

Employee Benefit Plans

During 1994, the RTC continued its emphasis on terminating employee benefit plans in both conservatorships and receiverships while adhering to applicable Employee Retirement Income Security Act (ERISA) statutes. From inception of the RTC through December 31, 1994, 450 qualified plans were terminated; 52 plans remained to be terminated at yearend.

The Pension Tracking System (PENTRACK), which is used to monitor the administration and termination of pension plans, was modified in 1994 to provide improved data quality reporting. The FDIC is adopting PENTRACK and plans to merge RTC data into the FDIC's database at sunset.

The following chart summarizes the termination of employee benefit plans during 1994:

EMPLOYEE BENEFIT PLANS

Open Plans at 12/31/93	**145**
Plans Reclassified as Terminated	**(2)**
Plans Terminated During 1994	**(90)**
Plans Transferred to an Acquirer (Old Stone FSB, Providence, RI)	**(1)**
Open Plans at 12/31/94	**52**

TOTAL EXECUTIVE COMPENSATION FOR RTC CONSERVATORSHIPS IN 1994

				PRE-CONSERVATORSHIP			1994		
INSTITUTION NAME	CITY	STATE	NET ASSETS AT RESOLUTION (IN THOUSANDS)	NUMBER OF OFFICERS*	ANNUALIZED COMPENSATION	AVERAGE COMPENSATION	NUMBER OF OFFICERS*	ANNUALIZED COMPENSATION	AVERAGE COMPENSATION
ALTUS FSB	MOBILE	AL	$ 298,664	59	$ 3,080,000	$52,203	27	$ 991,329	$36,716
ADVANCED FSB	NORTHRIDGE	CA	3,949	3	191,732	63,911	2	104,632	52,316
DELTA FSB	WESTMINSTER	CA	14,706	22	961,000	43,682	2	90,000	45,000
GOLDEN STATE FSB	IRVINE	CA	42,288	6	458,966	76,494	1	53,731	53,731
GREAT AMERICAN FSA	SAN DIEGO	CA	1,235,987	145	11,306,932	77,979	62	4,327,662	69,801
GUARDIAN FSA	HUNTINGTON BEACH	CA	170,032	17	996,105	58,594	2	153,990	76,995
PAN AMERICAN FSB	SAN MATEO	CA	133,855	8	500,000	62,500	3	177,144	59,048
WESTERN FSB	MARINA DEL REY	CA	2,389,955	18	3,219,003	178,834	6	907,700	151,283
WESTSIDE BANK, FSB	LOS ANGELES	CA	62,191	6	458,693	76,449	4	215,780	53,945
COASTAL FSB	NEW LONDON	CT	117,852	18	789,000	43,833	4	223,701	55,925
BAY FSB	WEST PALM BEACH	FL	2,510	5	194,000	38,800	1	33,139	33,139
CITIZENS FSA	JACKSONVILLE	FL	20,812	6	201,824	33,637	4	143,960	35,990
CORAL COAST FSB	BOYNTON BEACH	FL	9,887	4	218,258	54,565	3	157,358	52,453
GOLDOME FSB	ST. PETERSBURG	FL	207,083	36	1,449,000	40,250	5	247,063	49,413
HANSEN FSB	PALM BEACH GARDENS	FL	6,337	3	139,599	46,533	3	152,642	50,881
HOLLYWOOD FSB	HOLLYWOOD	FL	332,661	3	392,000	130,667	8	470,200	58,775
JACKSONVILLE FSA	JACKSONVILLE	FL	52,275	7	369,238	52,748	3	147,101	49,034
LIFE FSB	CLEARWATER	FL	23,331	14	586,000	41,857	3	144,000	48,000
SECURITY FSA	PANAMA CITY	FL	18,015	3	271,150	90,383	3	186,300	62,100
THE GUARDIAN BANK, A FSB	BOCA RATON	FL	32,456	11	612,706	55,701	6	337,624	56,271
COBB FSA	MARIETTA	GA	14,496	17	934,000	54,941	2	76,725	38,363
SOUTHERN FSA OF GEORGIA	ATLANTA	GA	47,309	11	814,000	74,000	2	78,000	39,000
UNITED FSA OF IOWA	DES MOINES	IA	170,195	11	513,322	46,666	4	230,200	57,550
IRVING FB FOR SAVINGS, FSB	CHICAGO	IL	131,911	19	810,371	42,651	19	800,286	42,120
LEMONT FSA	LEMONT	IL	76,770	2	291,880	145,940	3	141,022	47,007
FRANKLIN FSA	OTTAWA	KS	1,004,766	31	3,515,000	113,387	14	1,084,941	77,496
THE PIONEER FS&LA	PRAIRIE VILLAGE	KS	95,202	8	369,025	46,128	5	161,375	32,275
CARROLLTON HMSTD ASSN, FA	NEW ORLEANS	LA	19,418	4	195,010	48,753	4	135,422	33,856
DRYADES S&LA, FA	NEW ORLEANS	LA	54,065	13	756,000	58,154	4	218,234	54,559
LIFE FSB	BATON ROUGE	LA	5,730	3	112,638	37,546	3	106,521	35,507
OAK TREE FSB	NEW ORLEANS	LA	1,439,363	37	2,103,649	56,855	24	1,252,964	52,207
NEW ENGLAND FSA	WELLESLEY	MA	39,833	5	240,000	48,000	2	164,792	82,396
PLYMOUTH FSA	PLYMOUTH	MA	59,701	14	527,842	37,703	12	348,395	29,033
JOHN HANSON FSB	BELTSVILLE	MD	100,786	51	2,909,000	57,039	3	189,061	63,020
POTOMAC FSB	SILVER SPRING	MD	23,715	4	290,000	72,500	1	39,400	39,400
SECOND NATIONAL FSA	SALISBURY	MD	726,860	55	3,865,436	70,281	30	1,487,275	49,576
STANDARD FSA†	GAITHERSBURG	MD	687,219	12	1,797,000	149,750	7	875,000	125,000
FIRST FSA	LEWISTON	ME	34,239	7	264,670	37,810	4	167,093	41,773
SECURITY FS&LA	JACKSON	MS	159,163	28	1,072,487	38,303	16	590,174	36,886
HOMEBANK FSA	GILFORD	NH	43,713	20	784,000	39,200	8	319,877	39,985
CARTERET FSB†	NEWARK	NJ	1,283,579	106	7,266,329	68,550	52	3,536,723	68,014
HANSEN FSA	HAMMONTON	NJ	187,371	15	1,211,000	80,733	7	213,750	30,536
POLIFLY FS&LA	NEW MILFORD	NJ	259,799	23	1,176,982	51,173	9	466,284	51,809
PROSPECT PARK FSB	WEST PATERSON	NJ	109,464	49	2,693,000	54,959	7	489,446	69,921
SECURITY FSB	VINELAND	NJ	470,754	105	4,590,935	43,723	65	2,610,590	40,163
VOLUNTEER FSA	LITTLE FERRY	NJ	18,138	6	181,000	30,167	3	136,176	45,392
WHITE HORSE FS&LA	TRENTON	NJ	25,150	4	271,000	67,750	3	123,230	41,077
COLUMBIA BANKING FSA	ROCHESTER	NY	631,490	77	4,992,000	64,831	44	2,500,013	56,818
TRANSOHIO FSB	CLEVELAND	OH	1,006,769	30	2,611,000	87,033	18	1,769,841	98,325
FAR WEST FSB	PORTLAND	OR	247,832	9	688,478	76,498	3	262,872	87,624
ABRAHAM LINCOLN FSA	DRESHER	PA	43,452	11	888,000	80,727	5	267,807	53,561
HOMESTEAD FSA	MIDDLETOWN	PA	53,932	2	695,154	347,577	11	453,467	41,224
UKRAINIAN FS&LA	PHILADELPHIA	PA	32,648	5	215,795	43,159	5	189,135	37,827
OLD STONE FSB	PROVIDENCE	RI	1,205,044	283	11,827,515	41,793	20	1,517,597	75,880
CITADEL FS&LA	CHARLESTON	SC	12,311	6	254,800	42,467	4	167,500	41,875
COOPER RIVER FSA	NORTH CHARLESTON	SC	56,379	7	461,000	65,857	4	205,375	51,344
CHEROKEE VALLEY FSA	CLEVELAND	TN	70,775	17	521,125	30,654	6	244,851	40,809
COMMONWEALTH FSB	MANASSAS	VA	16,960	7	397,000	56,714	6	252,419	42,070
FEDERAL SA OF VIRGINIA	FALLS CHURCH	VA	7,206	3	160,000	53,333	1	75,457	75,457
HOME FSB	NORFOLK	VA	67,552	17	624,000	36,706	3	154,704	51,568
LIBERTY FSB	WARRENTON	VA	50,174	3	185,000	61,667	3	179,536	59,845
PIEDMONT FSA	MANASSAS	VA	257,786	5	382,712	76,542	3	232,407	77,469
VISTA FSA	RESTON	VA	40,338	8	451,000	56,375	4	235,756	58,939
TOTAL			$16,264,203	1,544	$91,305,361	$59,136	605	$34,016,749	$56,226

*** "Number of Officers" represents all officers as well as the three highest paid employees.**

† "Net Assets" for Standard FSA and Carteret FSB are year-end figures.

Note: All conservatorships except Carteret FSB were resolved in 1994.

During the year, the FDIC and the RTC formed a task force to enter into a Memorandum of Understanding with the Pension Benefit Guaranty Corporation (PBGC) on the handling of underfunded defined benefit pension plans and other issues of common interest between the two agencies and the PBGC. Upon execution of the memorandum, it is anticipated that the PBGC will expedite its review of RTC or FDIC applications for distress terminations of underfunded defined benefit pension plans. Acceptance of an application results in the PBGC assuming trusteeship for the underfunded plan. The first trusteeship agreement for an underfunded pension plan under RTC administration was signed by the PBGC in 1994. Applications for four additional trusteeship agreements were pending at the end of the year.

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 remain open. In 1994, the RTC issued approvals for the termination of 122 receiverships. From inception of the program in June 1992 through yearend 1994, 211 receiverships were approved for termination; of those, 96 were terminated and 115 were in the process of being terminated. In addition, 533 open receiverships (not yet approved for termination) remained in the RTC's inventory at the close of 1994.

During 1994, the office issued the *RTC Receivership Termination Manual*, an official compilation of RTC policies, procedures, and guidelines applicable to the receivership termination process for all RTC offices. A national Receivership Termination Training Conference was held in October 1994 to discuss issues affecting receivership terminations and to instruct headquarters and field employees in the use of the new manual.

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.

After the slow pace of resolutions in 1993, resolution activity increased significantly in 1994. Sixty-one receiverships requiring settlement activity were added to the RTC's inventory during the year, including two non-conservatorship institutions resolved through the Accelerated Resolutions Program. Settlement was concluded for 57 institutions, leaving 35 settlements to be completed at yearend.

Because of an increased workload during the year and in anticipation of sunset, the office focused more resources on monitoring and overseeing existing policies and procedures in the field, where settlement activity with acquirers is completed.

Liquidating Dividends

The Accelerated Dividend Program (ADP) expedites the return of funds to the Corporation and to creditors by authorizing field office vice presidents to approve dividend cases. In 1994, cash dividends to the Corporation totaled $9.1 billion and non-cash dividends totaled $4.4 billion. From the inception of the dividend process in September 1990 through yearend 1994, the recovery to the Corporation through the program totaled $72.8 billion in cash and $56.2 billion in non-cash dividends.

Insurance Payments

During 1994, 1,948,688 insured deposit accounts, as of date of resolution, at 64 failed thrifts were protected; 1,274,922 of the deposit accounts were protected through the purchase and assumption of the failed thrift by one or more acquirers. The remaining 673,766 deposit accounts were either transferred to an acquiring institution in an insured deposit purchase and assumption or paid off by RTC check in a payoff transaction. Of the $21.6 billion in deposits that were involved in an insured deposit purchase and assumption or payoff transaction, only $21.3 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 1994 show that $575 million in 10,184 creditor claims were allowed, $19 billion in claims from 6,668 creditors were disallowed, and $7.2 billion in 649 claims were still pending at yearend. In liquidating receiverships, $161 million in 5,910 creditor claims were allowed, while $4.1 billion in claims from 7,933 creditors were disallowed; $1.8 billion from 769 claims were still pending at yearend.

Asset Claims

From inception through 1994, the RTC processed approximately 43,000 asset claims seeking $2.3 billion under the terms of asset sales agreements. At yearend, the RTC had approved and paid $594 million on these claims (includes asset repurchases and actual losses).

RTC conservatorships, receiverships, and subsidiaries place funds in reserve to cover the cost of future asset claims. As of December 31, 1994, the reserve account balance was approximately $1.5 billion.

A data quality action plan was instituted in 1994 for the Warranties and Representations Account Processing System (WRAPS). By yearend, WRAPS had achieved nearly perfect accuracy.

Program Support

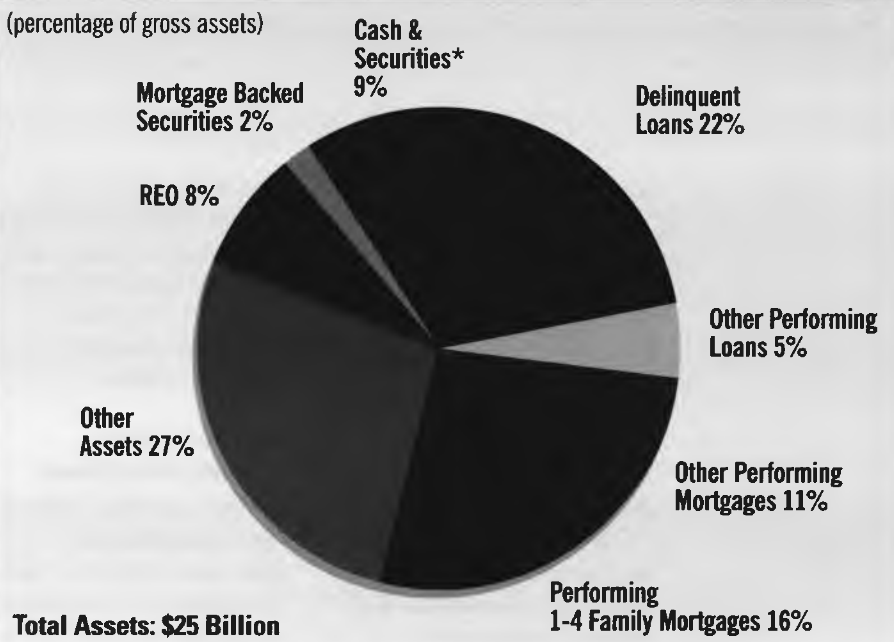
The Program Support unit implements policies and regulations that promote payment or settlement of outstanding, delinquent obligations by individuals who have caused losses to insured institutions under RTC or FDIC control. The unit also enforces restrictions prohibiting these individuals from purchasing assets owned by the RTC until their obligations have been paid or settlements have been reached.

From inception of the program in September 1992 to yearend 1994, the unit reached settlements totaling nearly $311 million; of that total, $88.1 million were settlements on assets under the direct ownership or control of the FDIC.

Office of Settlement Workout and Risk Management

The Office of Settlement Workout and Risk Management restruc-

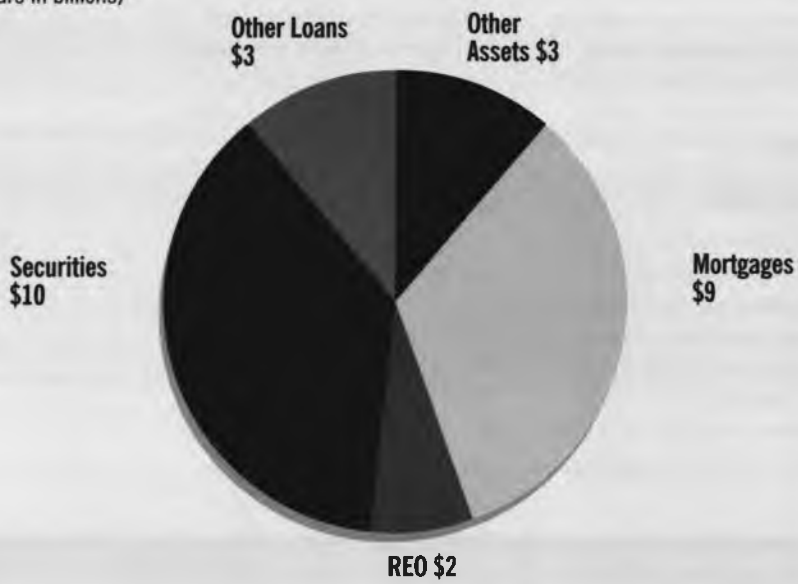
CONSERVATORSHIP AND RECEIVERSHIP ASSETS UNDER RTC MANAGEMENT AS OF DECEMBER 31, 1994



*Excludes $14.8 billion in cash, investments (including restricted investments), and accounts receivable accumulated by receiverships.

1994 ASSET SALES AND COLLECTIONS – CONSERVATORSHIPS, RESOLUTIONS AND RECEIVERSHIPS

(dollars in billions)



Total Sales and Collections: $27 Billion (net of putbacks*)

***Putbacks totaled $243 million in 1994. Putbacks include some assets returned from pre-1994 resolution sales.**

tures 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 1994, the office's workout assistance teams restructured, sold, or worked out $4.3 billion in problem assets. By yearend, $1.4 billion in assets were under review.

From inception of the program in July 1992 through yearend 1994, the office negotiated settlements, restructured loans, and took other actions involving $11.8 billion in assets, recovering cash collections of $1.2 billion.

Office of SAMDA Program Management

The Office of SAMDA (Standard Asset Management and Disposition Agreement) Program Management issues and monitors all SAMDAs, which totaled 191 from inception of the SAMDA program in August 1990 through yearend 1994. At yearend, SAMDA contractors were managing assets with a total book value of $6 billion.

From August 1990 through December 1994, SAMDA contractors managed assets with a total book value of $37 billion and disposed of 84 percent, or $31 billion, of those assets.

In 1994, the office developed policies and procedures governing the phasing out of the SAMDA program in 1994 and 1995. The office also revised its internal control review procedures to reflect the SAMDA program's increased emphasis on contract expiration. Contractor performance evaluation criteria were revised to improve consistency and uniformity in rating contractor performance.

Office of Systems and Transaction Review

The Office of Systems and Transaction Review coordinates and monitors the performance of the division's information systems, including the Real Estate Owned Management System (REOMS), Asset Manager System (AMS), and Subsidiary Information Management System (SIMAN). The office also acts as database manager for the RTC's Central Loan Database (CLD), which lists all loan assets marketed by the RTC.

In 1994, the office implemented formal data quality action plans for the division's major information systems. Data quality for these systems was improved during the year.

The staff participated in two FDIC/RTC joint task forces to evaluate the FDIC's future information needs. Office representatives served on the FDIC Asset Disposition System Project Task Force to review the FDIC's future information management requirements for asset management and disposition activities. The staff also worked with the FDIC's Division of Depositor and Asset Services to assess whether the RTC's asset-related systems would meet the FDIC's future needs.

As the CLD database manager, the office tracked sales initiatives from inception to final closing transactions. The office also continued to review individual assets and assigned them to the sales initiatives considered to be most appropriate and most likely to achieve maximum recovery values. In 1994, the RTC's database management CLD contract was modified to reflect the decreasing loan asset inventory, a step that resulted in significant cost savings.

In compliance with the RTC Completion Act, the office also began providing the General Services Administration with listings of commercial office properties acquired by the RTC that may be available for sale.

Asset Policy Branch

The Asset Policy Branch develops and maintains policies and procedures governing the management, evaluation, and disposition of real estate, loans, and other assets.

The branch established policies, procedures, and regulations to implement the RTC Completion Act's asset management requirements. Rules and directives were written to achieve the following objectives, among others:

- require the marketing of real estate on an individual basis for at least 120 days prior to its inclusion in a multi-asset sales initiative;
- strengthen the disposition strategy for larger real estate assets and non-performing loans secured by real estate;
- provide a process for the RTC's non-defaulting business and commercial borrowers to appeal credit decisions adversely affecting them;
- enhance opportunities for the General Services Administration to acquire commercial office property;
- provide tenants in RTC-owned residential property an opportunity to buy their residences; and
- establish a preference for real estate sales offers that provide housing for the homeless.

The branch developed a procedure permitting bank branches located in predominantly minority neighborhoods to be leased on a five-year rent-free basis to minority- or women-owned depository institutions. From the program's inception on September 12, 1994, through yearend 1994, 13 branches with an appraised value exceeding $6 million were included in the program.

The staff continued to administer the RTC's Finder's Fee Program, which permits the RTC to pay a fee to private-sector firms in return for the recovery of RTC funds considered unclaimed, abandoned, or lost. From its inception in October 1993 through December 1994, the program achieved cash recoveries of more than $1 million. The program was expanded in 1994 to include non-cash recoveries.

Environmental Branch

The Environmental Branch develops policies and procedures governing the sale and conveyance of assets containing environmental resources and environmental hazards.

The branch revised the environmental representations and warranties used in securitized transactions in a manner that reduces the RTC's exposure to environmental claims filed under these transactions. The staff also provided technical environmental support to the National Sales Center in the development of two targeted sales initiatives: the sale of special resource assets, and the sale of assets with hazardous conditions.

During the year, the branch continued to sell properties with special environmental resources to public agencies and non-profit organizations for conservation purposes. From the program's inception in September 1990 through yearend 1994, 112 properties containing approximately 58,000 acres were sold, resulting in $121 million in recoveries.

Seller Financing Branch

The Seller Financing Branch originates seller-financing loans for commercial REO, loans, and equity interests in multi-asset sales transactions.

In 1994, the RTC closed approximately $1.5 billion in commercial seller-financed transactions. From the program's inception in March 1991 through yearend 1994, the RTC closed approximately $5 billion in commercial seller-financed transactions. During the same period, the RTC received $2.4 billion in funds from the liquidation of RTC commercial seller-financed notes.

The branch continued to oversee the RTC's commercial seller financed multi-asset sales transactions and land fund transactions during the year. The branch also developed nationwide standardized servicing oversight and audit procedures, and initiated Office of Contractor Oversight and Surveillance audits for all commercial seller financing underwriters.

Department of Securitization Management

The Department of Securitization Management 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 1994, the department used 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.

Through the securitization program, approximately $2.6 billion (book value) in performing loans were sold in 1994. One transaction totaling approximately $600 million was collateralized by performing single-family mortgages; two transactions totaling approximately $2 billion were collateralized by performing commercial and multi-family mortgages.

Another $1.5 billion (book value) of non-performing commercial and multi-family mortgage loans were sold in 1994. Three N-Series transactions accounted for nearly $1 billion of the assets; six S-Series transactions accounted for approximately $500 million of the assets.

From inception of the securitization program in June 1991 to yearend 1994, nearly $45 billion in performing and non-performing loans were securitized, including single-family, multifamily, and commercial mortgages, and commercial and consumer loans.

Department of Securities Transactions

The Department 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, nationally syndicated bank loans, and special purpose finance subsidiaries (SPFS).

From inception of the securities sales program in March 1990 through yearend 1994, the RTC sold $64 billion in securities. In 1994, the RTC sold over $1.8 billion (par value) in securities. During the year, the office used several programs to sell highly illiquid securities, including limited partnership interests, highly leveraged transactions, SPFSs, and subordinate loan participations.

In 1994, the department managed over $1.5 billion in conservatorship cash prior to the resolution of the institutions, and managed $1.4 billion in receivership cash and $285 million in asset claims cash. The returns for receivership cash management in 1994 totaled more than $61 million.

During the year, the high-yield staff negotiated an offer of the RTC's highly illiquid 20 percent share of General Oriental Investments Limited (GOIL), a closed-end fund solely controlled by international financier Sir James Goldsmith. The RTC's holdings were inherited from the former Lincoln Savings and Loan Association, F.A., Irvine, California. The department negotiated total proceeds of $272 million for the RTC's 28.6 million shares, as well as additional protection on any future sale of the shares at a higher price and on future distributions. This price represented an attractive 15 percent discount on GOIL's net asset value as compared to the normal 20 to 30 percent discounts demanded on similar closed-end funds.

The department also marketed 12 SPFSs during the year, generating more than $600 million in securities sales. Among the transactions completed were Rockland Financing Corporation, Santa Barbara Funding One, Freedom Capital, Morsemere CMO One, and FFSBT Financial Corporation.

Department of Asset Marketing

The Department of Asset Marketing coordinates all marketing programs supporting the sale of RTC assets. The department consists of the Offices of Financial Instruments, Small Investor Program, and National Marketing.

Office of Financial Instruments

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

The office develops marketing-related data, develops and implements new sales strategies to dispose of assets, and conducts nationwide auctions of real estate and loans.

In 1994, the office was involved in several notable sales transactions. The RTC completed the sale of the second National Land Fund, a $370 million partnership structure in which the RTC retains a limited partnership interest and shares in the appreciation of land assets.

The office also participated with the six field offices in conducting three national non-performing loan auctions in Kansas City, Missouri. In the April 1994 auction, approximately 5,809 loans with a total book value of approximately $318 million were sold, yielding a $191 million recovery. In the September 1994 auction, 8,814 loans with a total balance of $399 million were sold, for a total recovery of $223 million. In the December 1994 auction, approximately 9,786 loans with a total balance of approximately $370 million were sold, yielding a $229 million recovery.

In 1994, over 100,000 assets totaling $7.2 billion (book value) were sold through the Judgments, Deficiencies, and Chargeoffs (JDC) initiative, a partnership arrangement designed to sell volumes of judgments, deficiencies, and chargeoffs. The JDC initiative was envisioned to create up to 30 partnerships. Since the initiative was launched, 30 partnerships have been created.

In addition, approximately 1,308 subsidiaries and joint ventures were either sold or dissolved during the year.

Office of the Small Investor Program

The Office of the Small Investor Program (SIP), created in April 1993, is responsible for ensuring that RTC assets are offered for sale individually and in pools to investors with moderate capital levels. Under the program, all loan and real estate assets not previously committed to scheduled events are actively marketed 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 small investor participation, bidder entry deposits for loan sales were lowered.

In 1994, the office held 128 buyer-awareness seminars to help local and regional investors learn about SIP; more than 15,000 investors participated in the seminars. From the program's inception through yearend 1994, approximately 31,000 investors attended seminars sponsored by the program.

Working with the Office of National Marketing, the office registered 3,729 additional investors in the small investor database during the year. Of this total, 1,871 investors indicated minority status, and 1,135 investors identified themselves as minority- or women-owned firms. In 1994, the Small Investor Program Hotline provided information to 16,000 callers; 9,628 brochure packages and 18,563 property listings were provided to callers.

SIP played a significant role in the RTC's three national loan auctions held in Kansas City, Missouri, during the year. Each auction featured loan packages reduced in size and concentrated geographically, giving prospective buyers the opportunity to bid on assets in their local areas.

In 1994, SIP assumed responsibility for publishing *The RTC Investor,* the RTC's national sales information newsletter. *The RTC Investor* includes articles about investment opportunities for investors of all capital sizes, and reports on RTC policy changes affecting the investment community. The newsletter's circulation is approximately 18,000.

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. More than one million brochures supporting RTC sales programs, including the Small Investor Program and the Affordable Housing Disposition Program, were produced and disseminated during the year.

The office focused on increasing its direct mail campaigns to support RTC sales initiatives. Direct mail efforts included 341,000 pieces of mail announcing the three 1994 national loan auctions. From inception of the direct mail program in 1992 through yearend 1994, the office produced and mailed 1.2 million direct mail pieces in support of 358 sales initiatives. The number of investors included in the RTC's investor database also increased in 1994 to a total of 22,000.

The office coordinated the marketing campaigns for the RTC's three 1994 national loan auctions, which resulted in the sale of 915 loan packages comprised of 25,000 loans for $643 million. The office's outreach programs and advertising helped attract new participants to the auctions; half of the auctions' 400 participants were new to the RTC auction series, and one-third of the winning bidders were also new participants.

The staff conducted and participated in numerous outreach activities during the year to inform potential bidders, including minorities, women, and small investors, of RTC investment opportunities. The staff participated in 24 national and regional trade shows, providing assistance to the Division of Minority and Women's Programs at 10, and providing assistance to the Department of Affordable Housing at five.

The office also continued to provide the public with information about RTC offerings through the RTC's National 1-800 Telemarketing program, created in 1991. From the program's inception through yearend 1994, over 2.5 million calls were answered on the Affordable Housing Hotline, Broker Hotline, Small Investor Program Hotline, and Information Center Line.

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 Multi-fam-

PROPERTIES SOLD TO STATE AND LOCAL HOUSING AUTHORITIES

In 1994, the RTC sold the following properties to state and local housing authorities through its Affordable Housing Disposition Program:

Housing Authority	Property	Sales Price
Central Texas Council of Governments Belton, TX	Lookout Ridge Apts. Harker Heights, TX	$1,432,028
City of San Angelo Housing Authority San Angelo, TX	Barrington Apts. 3902 Sherwood Way San Angelo, TX	234,088
	Barrington Apts. 4421 Knickerbocker Rd. San Angelo, TX	489,108
	Barrington Apts. 4401 Southwest Blvd. San Angelo, TX	262,768
City of Austin Austin, TX	Meadow Glenn Apts. Austin, TX	242,917
City of Bakersfield Bakersfield, CA	Summerset I Apts. Oildale, CA	724,514
	Villa De Oro Apts. Bakersfield, CA	250,000
City of Galveston Housing Authority Galveston, TX	Port Holiday Apts. Galveston, TX	1,391,350
City of Houston Housing Authority Houston, TX	Foundren Green Apts. Houston, TX	132,184
	Southwest Village Apts. Stafford, TX	884,358
	Stream Side Apts. Houston, TX	2,360,000
	Willow Creek Apts. Houston, TX	3,200,000
	Windwood Club Apts. Houston, TX	1,288,348
City of Lubbock Lubbock, TX	Courtyard Apts. Lubbock, TX	65,000
	Ridgecrest Apts. Lubbock, TX	30,000
City of Lubbock Housing Authority Lubbock, TX	University Pine Duplexes Lubbock, TX	299,755
City of Plainview Plainview, TX	Barrington Apts. Plainview, TX	212,304
City of San Angelo San Angelo, TX	Barrington Apts. (South) San Angelo, TX	489,108
	Barrington Apts. (Southwest) San Angelo, TX	262,678
City of San Antonio Housing Authority San Antonio, TX	Green Oaks Apts. San Antonio, TX	2,758,000
	Kelly Creek Apts. San Antonio, TX	490,000
	Park Village Apts. San Antonio, TX	1,350,000
Colorado Housing Finance Authority Denver, CO	1130 Logan Street Denver, CO	40,000
Colorado Springs Housing Authority Colorado Springs, CO	Casa Castano Apts. Colorado Springs, CO	539,402
Corpus Christi Housing Authority Corpus Christi, TX	The Cove Apts. Corpus Christi, TX	559,468
Dallas Housing Authority Dallas, TX	Wellington Place Apts. Dallas, TX	1,772,105
Dallas Multifamily Acquisition Corp. Dallas, TX	Deerfield Apts Dallas, TX	2,955,816
Dallas Multifamily Housing Acquisition Corp. Dallas, TX	Dallas North Apts. Dallas, TX	200,000
Fort Worth Housing Authority Fort Worth, TX	Candletree Apts. Fort Worth, TX	1,006,737
Georgia Housing Finance Authority Atlanta, GA	Atlanta Advantages Apts. College Park, GA	$ 6,585,576
	Carriage Crossing Apts. Flowering Branch, GA	72,386
	Hunters Grove Apts. Austell, GA	3,963,582
	Lake Vista Apts. I & II Warner Robins, GA	2,821,175
Grand Prairie Housing Finance Corp. Grand Prairie, TX	Clayton Pointe Apts. Grand Prairie, TX	2,720,000
Housing Authority City of Charleston Charleston, SC	Ashley Oaks Apts. Charleston, SC	684,000
Housing Authority of Bexar County San Antonio, TX	Bear Springs Apts. San Antonio, TX	2,558,900
Housing Authority of Odessa Odessa, TX	High Plains Apts. Odessa, TX	1,122,441
Lewisville Housing Finance Corporation Lewisville, TX	Wellington Park Apts. Lewisville, TX	3,709,265
Midland County Midland, TX	Ranchland Apts. Midland, TX	850,000
	The Lakes Apts. Midland, TX	1,750,000
Panhandle Community Services Amarillo, TX	Barrington Apts. Canyon, TX	261,172
	Barrington Apts. Pampa,TX	201,161
City of Phoenix Industrial Development Authority Phoenix, AZ	Bell Lakes Apts. Phoenix, AZ	14,011,000
	Paradise Lakes Apts. Phoenix, AZ	47,032,058
Pima County Industrial Development Authority Tucson, AZ	21st Place Phoenix, AZ	95,979
	Heatheridge Apts. Phoenix, AZ	3,011,868
	Pine Shadows Apts. Temple, AZ	3,076,161
	Sunny Palms Scottsdale, AZ	90,579
	Thunderbird Villas Apts. Phoenix, AZ	270,937
	Tucson Navajo Apts. Tucson, AZ	118,124
San Antonio Housing Authority San Antonio, TX	Pecan Manor Apts. San Antonio, TX	315,000
Sandusky Metropolitan Housing Authority Fremont, OH	Hicks - Hall Apts. Fremont, OH	943,700
Southeast Texas Housing Finance Corporation Pasadena, TX	Greenlea II Apts. Richmond, TX	10,000
	Liberty Village Apts. Liberty, TX	180,651
Tampa Housing Authority Tampa, FL	Meridian Apts. Tampa, FL	4,649,282
	River Place Apts. Tampa, FL	940,108
Travis County Housing Authority Austin, TX	Sweetwater Apts. Austin, TX	1,717,115
Village of Matteson Municipal Corporation Matteson, IL	Clinkscale Apts. Matteson, IL	102,133
Waco Housing Authority Waco, TX	Cimmaron Apts. Waco, TX	683,545
Winter Park Housing Authority Winter Park, FL	Winter Park Oaks Apts. Winter Park, FL	774,482

ily 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 1994, 1,751 single-family properties were sold through the affordable housing program for a total of $48 million. From the program's inception in 1990 to yearend 1994, 22,064 single-family properties were sold for a total of $605 million. These properties were offered primarily through auctions and sealed bids.

The RTC provided seller financing for 659 single-family homes sold under the affordable housing program in 1994. From the program's inception in early 1991 through yearend 1994, the RTC provided seller financing for 5,159 single-family homes, or nearly 23 percent of the total sold. Purchasers of single-family homes utilized $58 million of RTC-sponsored mortgage revenue bonds.

The average income of purchasers of single-family homes from the program's inception to yearend 1994 was $22,655, or 61 percent of national median income; the average purchase price was $27,699. A survey of buyers at 41 nationwide affordable housing auctions conducted from 1991 through 1994 showed 39 percent of the buyers were minorities and 75 percent were first-time buyers.

In 1994, 137 multi-family affordable housing properties were sold for a total of $246 million; the RTC provided seller financing for 73 of the properties. From the program's inception through 1994, the RTC sold 708 multi-family affordable housing properties containing 75,614 units for a total of $857 million; 33,489 of those units were solely for low- and very-low income tenants. Since the program's inception, the RTC has provided seller financing for 39 percent, or 275 of the multi-family properties sold.

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 1994, 712 single-family dwellings and 61 multi-family properties with no reasonable recovery value were made available for conveyance to non-profit organizations and public agencies. Of those, 103 single-family properties and 13 multi-family properties were conveyed in 1994.

RESOLUTIONS

The Division of Resolutions markets and executes the most cost-effective resolutions for insolvent thrifts placed in the RTC's conservatorship program or the Accelerated Resolutions Program (ARP) by the Office of Thrift Supervision (OTS). The division is composed of the Offices of Major Resolutions and Field Resolutions.

During 1994, the RTC resolved 64 thrifts (compared to 27 in 1993; 69 in 1992; 232 in 1991; 315 in 1990; and 37 in 1989), leaving only one institution in conservatorship at yearend.

At the date of resolution, the total cost of the 64 resolutions completed in 1994 was estimated to be $6.3 billion. (The cost is estimated until all assets associated with the institutions are sold.) The resolutions resulted in savings of $1.1 billion over the cost of paying off the insured deposits.

Gross RTC funding for the 64 institutions totaled $17.2 billion, including conservatorship advances of $4.2 billion, for a net RTC funding cost of $16.1 billion. In 39 resolutions, all of the deposits were transferred to the acquirers. In 22 resolutions, only the insured deposits were transferred to the acquirers. Three resolutions involved paying off the institutions' 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 1994, the office completed 19 resolutions (compared to 6 in 1993; 16 in 1992; 45 in 1991; 39 in 1990; and 4 in 1989).

The 19 resolved thrifts had deposits totaling $12.5 billion (compared to $7 billion in 1993; $17 billion in 1992; $56 billion in 1991; $60 billion in 1990; and $8 billion in 1989). The $910 million in premiums paid to the RTC in the 19 resolutions represented about 9 percent of the $10 billion in core deposits (non-brokered deposits with balances of $80,000 or less) that were sold.

The premiums paid by acquirers ranged from 4 percent to almost 17 percent of core deposits. The average premium was 9.1 percent of core deposits, a substantially higher figure than in previous years. All but 7 of the resolutions involved multiple purchasers, with 12 financial institutions acquiring one or more branches or the deposits thereof. None of the thrifts was resolved as a total payoff; however, three resolutions involved paying off wholesale deposits.

Office of Field Resolutions

During 1994, the Office of Field Resolutions resolved 43 thrifts (compared to 20 in 1993; 44 in 1992; 166 in 1991; 272 in 1990; and 33 in 1989), with deposits totaling $2 billion.

One thrift, Cherokee Valley, FSA, Cleveland, Tennessee, was resolved in 1994 at no cost to the RTC. Cherokee Valley's seven banking offices were acquired by two financial institutions located in Tennessee.

Three of the 43 resolutions involved the payoff of $48.5 million in insured deposits. In 14 of the 43 resolutions, the institutions were purchased by two or more acquirers.

The 43 resolutions generated $142 million in premiums, or approximately 7 percent of total core deposits at time of resolution, representing a 30 percent increase over premiums received in 1993 field resolutions, which averaged about 5.3 percent of core deposits.

Accelerated Resolutions Program

The Accelerated Resolutions Program is a joint effort between the RTC and the OTS, established on the premise that early intervention in a failing thrift could create significant taxpayer savings. Thrifts selected for ARP are those the OTS 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 receivership, and immediately transfers it to the acquirer. This process is designed to avoid the deterioration in franchise value associated with the conservatorship process.

Two ARP resolutions were completed in 1994 (compared to 1 in 1993; 9 in 1992; 21 in 1991; and 4 in 1990). In 1994, Encino Savings Bank, FSB, Encino, California, with deposits totaling approximately $89 million, was acquired by American Savings Bank, F.A., Stockton, California, which paid a $1.4 million franchise premium, representing 2.4 percent of core deposits. The second ARP resolution involved Cornerstone Bank, Federal Savings Bank, Mission Viejo, California, with deposits totaling $38.4 million. Cornerstone was acquired by California Federal Bank, A Federal Savings Bank, Los Angeles, California.

Minority Participation

The RTC is committed to the goal of providing maximum

1994 RTC CONSERVATORSHIP AND RESOLUTION ACTIVITY

Legend

B / Beginning Conservatorships at 12/31/93 63
R / Cases Resolved in 1994 64

*This figure includes 2 associations never placed into conservatorship.

1994 RTC CONSERVATORSHIP AND RESOLUTION ACTIVITY

(dollars in millions)

State	Conservatorships						Balance	
	Beginning	Deposits*	Added	Deposits*	Resolved	Deposits*	Ending	Deposits*
Alabama	1	$ 1,122	0	$0	1	$ 1,122	0	$ 0
California	8	11,003	0	0	8	11,003	0	0
Connecticut	1	223	0	0	1	223	0	0
Florida	10	3,305	0	0	10	3,305	0	0
Georgia	2	233	0	0	2	233	0	0
Illinois	2	432	0	0	2	432	0	0
Iowa	1	712	0	0	1	712	0	0
Kansas	2	4,784	0	0	2	4,784	0	0
Louisiana	4	2,563	0	0	4	2,563	0	0
Maine	1	76	0	0	1	76	0	0
Maryland	4	2,738	0	0	4	2,738	0	0
Massachusetts	2	255	0	0	2	255	0	0
Mississippi	1	247	0	0	1	247	0	0
New Hampshire	1	192	0	0	1	192	0	0
New Jersey	7	4,851	0	0	6	2,229	1	2,621
New York	1	1,073	0	0	1	1,073	0	0
Ohio	1	2,392	0	0	1	2,392	0	0
Oregon	1	1,273	0	0	1	1,273	0	0
Pennsylvania	3	415	0	0	3	415	0	0
Rhode Island	1	1,699	0	0	1	1,699	0	0
South Carolina	2	238	0	0	2	238	0	0
Tennessee	1	124	0	0	1	124	0	0
Virginia	6	852	0	0	6	852	0	0
Total (23)	**63**	**$40,803**	**0**	**$0**	**62†**	**$38,181**	**1**	**$2,621**

*Deposits at quarter prior to date of conservatorship.

†Does not include 2 thrifts never placed in conservatorship that were resolved through the Accelerated Resolutions Program.

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

opportunities to minority investors seeking to purchase failed thrifts from the RTC. To increase minority participation in the resolution process, the RTC has implemented provisions under its Minority Preference Resolutions Program giving certain preferences to minority bidders. These provisions were mandated by Congress in FIRREA; the RTC Refinancing, Restructuring, and Improvement Act of 1991; and the RTC Completion Act, enacted in December 1993, which amended the Federal Home Loan Bank Act.

The Minority Preference Resolutions Program's incentives include interim capital assistance; options to purchase performing assets from the RTC's inventory; and rent-free leasing options on office space for minority acquirers of RTC-owned thrift branches in predominantly minority neighborhoods (PMN). Also offered under the program are bidding preferences for minorities interested in purchasing like-minority thrifts, thrifts for which no acceptable bids are received, and thrifts or branches in PMNs. The Completion Act expanded opportunities for minority acquirers of thrifts and branches in PMNs, designed, in part, to help preserve banking services in minority neighborhoods served by thrifts resolved by the RTC.

During 1994, Pan American Federal Savings Bank, San Mateo, California, a minority-owned thrift with $120.5 million in deposits, was acquired by a like-minority-owned de novo thrift, Pan American Bank, FSB, San Mateo, California. Pan American Bank received interim capital assistance and options to purchase additional performing assets from the RTC's portfolio. The rent-free lease option was made avail-

1994 RESOLUTION COST AND SAVINGS BY STATE

(dollars in millions)

State	Resolved Institutions	Resolution Cost†	Estimated Savings‡
Alabama	1	$ 156	$ 30
California*	10	1,626	184
Connecticut	1	11	13
Florida	10	396	133
Georgia	2	39	7
Illinois	2	80	26
Iowa	1	81	23
Kansas	2	387	24
Louisiana	4	1,410	36
Maine	1	14	0
Maryland	4	749	51
Massachusetts	2	41	5
Mississippi	1	36	11
New Hampshire	1	28	7
New Jersey	6	309	87
New York	1	52	62
Ohio	1	104	132
Oregon	1	387	46
Pennsylvania	3	48	13
Rhode Island	1	141	162
South Carolina	2	24	5
Tennessee	1	0	6
Virginia	6	209	21
Total (23)	**64**	**$6,329**	**$1,085**

*Includes 2 thrifts never placed in conservatorship that were 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.

able to Pan American Bank on select branches.

Two other historically minority-owned institutions—Delta Federal Savings Bank, Westminster, California, and Life Federal Savings Bank, Baton Rouge, Louisiana—were purchased by like-minority-owned acquirers under the Minority Preference Resolutions Program.

Dryades Savings and Loan Association, F.A., New Orleans, Louisiana, a previously majority-owned thrift with $71.5 million in deposits, for which no acceptable bids were received, was acquired by Dryades Savings Bank, F.S.B., New Orleans, Louisiana, a de novo minority-owned savings bank. The new thrift received interim capital assistance and an option to purchase performing loans from the RTC's portfolio.

At yearend 1994, the RTC had resolved all but one of the 21 thrifts with branches located in PMNs; the 20 thrifts had a total of 57 branches in PMNs. Minorities acquired 22 branches, 39 percent of the 57 offices located in minority neighborhoods.

Hamilton Bank N.A., Miami, Florida, a minority-owned institution, purchased two branch offices of Carteret Federal Savings Bank, headquartered in Newark, New Jersey, one of which was located in a PMN. The RTC made available to acquirers over $20 million in interim capital assistance.

Although the remaining 35 branch offices located in PMNs were acquired by non-minority-owned institutions, banking services were expected to continue in these neighborhoods. The RTC encourages non-minority-owned institutions that acquire institutions from the RTC to participate in its post-resolution program. Under this program, the RTC makes available the same minority preference benefits that would have been available to the minority acquirer had it purchased the branch or branches directly from the RTC. The post-resolution transactions must occur within six months of the original resolution.

MINORITY AND WOMEN'S PROGRAMS

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

In 1994, the division played an important role in interpreting and implementing provisions of the 1993 RTC Completion Act aimed at expanding opportunities for minorities and women. The division also coordinated with the Office of Contracts and the Division of Legal Services to expand its involvement in each stage of the RTC contracting process.

To inform minorities and women of RTC contracting and asset sales opportunities, the MWP staff expanded its Minority and Women Outreach Program in 1994. A number of events were organized to explain the procedures for doing business with the RTC or purchasing assets from its inventory. The division also used advertising, publications, and direct mailings to reach out to minority and women audiences.

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 do business with the RTC. During 1994, the department continued its commitment to increase the participation of minorities and women in the RTC's contracting and sales opportunities.

A primary focus for department staff in 1994 was informing minority investors of RTC opportunities to purchase thrifts or branch offices located in predominantly minority neighborhoods. MWOB staff organized a one-day seminar in May that offered information about the Minority Preference Resolutions Program and provided a forum for investors to discuss potential joint ventures. Special sessions were also conducted at each of the RTC bidders' conferences for these institutions. In addition to these efforts, the department targeted mailings to minority and women audiences.

Staff also worked with the Department of Affordable Housing to prepare the directive "Outreach to Targeted Buyer Groups in the Affordable Housing Disposition Program," issued December 8, 1994. This directive contained provisions calling for the expansion of outreach to minorities and women interested in purchasing RTC affordable housing or contracting with the Department of Affordable Housing.

To prevent fraud and misrepresentation in the MWOB certification program, the department strengthened the certification process to ensure that the national MWOB database contained only eligible MWOB firms. The staff conducted 504 on-site verification visits to confirm the eligibility of firms claiming MWOB status. The RTC Certification Advisory Committee also met regularly to ensure that the process was working properly. By yearend, the MWOB database included 3,035 certified MWOBs.

The MWOB staff also participated in each phase of the RTC's contracting process, including pre-solicitation, solicitation, evaluation, selection, contract administration, and post-award activity. The staff's efforts resulted in the RTC exceeding its annual goal of awarding 30 percent of all contracts and fees to minority- and women-owned businesses.

In 1994, 8,725 contracts were awarded to MWOB firms, or 48.6 percent of all RTC contracts awarded during the year. Estimated contracting fees to MWOB firms reached $268.8 million, or 48.8 percent of the estimated fees paid for all RTC contracts awarded in 1994. This total represents an increase of more than $58 million in fees, or 28 percent, over the RTC's 1993 estimated contracting fees of $210 million paid to MWOB firms nationwide.

To comply with the RTC Completion Act requirements, the staff reviewed 83 Task Order Agreements (TOAs) to ensure maximum participation by MWOBs. The staff found that 55 agreements achieved over 30 percent MWOB participation, either in dollars awarded or number of task orders issued; 28 agreements achieved 100 percent MWOB participation. Following the review, 31 TOAs were amended to adhere to the Completion Act requirement that all task orders exceeding the $500,000 threshold comply with the MWOB subcontracting requirement.

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 conjunction with the Division of Legal Services, the department conducted 11 workshops in 1994 on the Joint Referrals and Representation Program, an initiative designed to expand opportunities for MWOLFs and minority and women attorneys to work as outside counsel on the RTC's larger, more complex cases. The department's sponsorship of these events, combined with its participation in national and local seminars and workshops, resulted in outreach to thousands of attorneys and other legal professionals.

To further ensure that the RTC increased its use of outside counsel, the MWP continued to serve as a voting member of the Legal Services Committee. The committee, which operates both at headquarters and in the field, selects law firms to handle RTC work. The department also maintained updated internal desk reference guides to include listings of MWOLFs by locality and specialty.

In 1994, the RTC made 4,281 referrals to MWOLFs for legal work with the RTC, or 42.6 percent of all referrals to outside counsel, and paid them fees totaling $59.3 million, or 25.8 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 (EEO/AA) provides leadership and guidance to the Corporation in all areas of the equal employment opportunity program, and processes administrative complaints of employment discrimination filed by employees and applicants for employment with the Corporation.

During 1994, the department began to address the policies and issues associated with downsizing the RTC and the pending transition to the FDIC. While affirmative action goals were established for 1994, the focus was on internal hiring and promotion rather than external hiring.

The department, in conjunction with the Office of Human Resources Management, hired a private contractor to conduct mandatory EEO training of all permanent RTC managers and supervisors. Training was also offered on a voluntary basis to non-supervisory personnel. The sessions were designed to raise sensitivity to EEO matters. Additional sessions were added to accommodate employee interest. EEO counselors at headquarters and in the field also received training to increase their effectiveness in resolving EEO matters.

To recognize and promote understanding of diverse cultures, the department organized events during the year to observe Women's History Month, Women's Equality Day, Asian-Pacific American Heritage Month, Hispanic Heritage Month, Dr. Martin Luther King's Birthday, Black History Month, and American Indian Heritage Month.

The department continued to process formal and informal complaints of employment discrimination, with an increased emphasis on resolving complaints at the earliest possible stage of the administrative process. An initiative was launched to inform managers of discrimination complaint activity in their respective areas. Communication between EEO/AA managers and managers throughout the RTC was encouraged to resolve potential EEO problems before they escalated to the level of formal or informal complaints. This dialogue frequently yielded positive results.

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 all applicable laws, including 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 at headquarters and in the field offices.

In 1994, the department played a key role in the interpretation and implementation of provisions contained in the RTC Completion Act. The act contained several new provisions designed to increase opportunities for minorities and women interested in doing business with the RTC, including mandatory subcontracting provisions; requirements to establish guidelines to effect a more reasonable distribution of contract awards among minority and women subgroups; and preferences for minority investors to acquire thrift institutions in predominantly minority neighborhoods.

A draft final rule, based on the RTC's 1992 interim final rule "Minority- and Women-Owned Business and Law Firm Program" (12 CFR, Part 1617), was revised in 1994 to incorporate the provisions of the RTC Completion Act. These provisions apply to all future contracts, including legal contracts.

The department worked with the Division of Resolutions to implement the Completion Act provision requiring preferences for minority investors seeking to acquire thrifts in predominantly minority neighborhoods. The procedures were published in the Federal Register in July 1994 as a final rule, "Definition of Predominantly Minority Neighborhood" (12 CFR, Part 1630). The RTC also issued a directive outlining the bidding procedures, definitions, terms, and conditions of these acquisitions.

The department was also instrumental in setting guidelines for the participation of MWOBs as mandatory subcontractors in contract awards of $500,000 or more. The development of these guidelines resulted in a policy statement jointly prepared by MWP and the Division of Contracts, Oversight, and Evaluation to ensure consistent corporate-wide implementation of the RTC Completion Act mandate.

The department conducted examinations of field office activities directed at achieving a reasonably even distribution of contract awards among MWOB subgroups. The department reviewed contracting data and the levels of contracting for each MWOB subgroup within each office. Program Compliance Reviews, based on newly formalized criteria, were also completed for each of the six field offices during 1994.

Throughout the year, the department also closely tracked, analyzed, and evaluated data used in reports to the Congress on the implementation of the RTC's MWP policies, emphasizing progress in addressing requirements of the RTC Completion Act.

CHIEF FINANCIAL OFFICER

The Division of the Chief Financial Officer (CFO) oversees the RTC's financial management activities, including field and corporate accounting, the RTC budget, cash-management activities, financial reporting, internal controls, audit follow-up, and contract appeals.

Significant 1994 achievements included the RTC's receipt of an unqualified opinion on its 1993 financial statements from the General Accounting Office for the third consecutive year; implementation of a transition plan designed to ensure the orderly transfer of CFO functions to the FDIC and avoid disruption of the financial service needs remaining after the RTC's sunset; and formation of the Office of Contract Appeals, which provides administrative and technical support to the RTC Contract Appeals Committee, established in 1994 to independently review all major contract disputes.

The division is comprised of the Offices of Budget and Planning, Accounting Services, Field Accounting and Asset Operations, Management Control, and Contract Appeals.

Office of Budget and Planning

The Office of Budget and Planning coordinates and oversees the RTC's budget process, plans business activities, estimates resource requirements, measures performance, and monitors progress in achieving corporate goals.

In 1994, the office enhanced the Corporation's budget operations by developing and revising budget policy and procedures, improving resource-reporting capabilities, and establishing a periodic performance report for the RTC Business Plan.

Substantial staff support was devoted to planning for the effects of RTC sunset on budget policy and procedures, the transition of RTC organizations to the FDIC at or before sunset, and post-sunset activities within the FDIC resulting from prior RTC actions.

The newly developed Budget Documentation Disposition Review program was implemented as an internal review process, ensuring that budget documentation throughout the RTC is consistent with current program direction, adequate to support program requirements and priorities, appropriately maintained, and readily accessible for review.

The Budget Information System (BIS), the office's major vehicle for resource reporting, was upgraded to report the use of staff resources. BIS provided information about on-board staff by location, function, and organization, which was necessary to assess progress in reducing on-board staff to yearend 1994 targets.

In 1994, non-interest RTC operating expenses totaled $2.2 billion, 28 percent below expenses for 1993. Of this amount, outside services accounted for 51 percent; employee compensation, 20 percent; and receivership real estate expenses, 20 percent. By yearend, the number of on-board RTC staff, totaling 5,430 employees, had decreased by more than 1,000 from the beginning of the year, representing a 15 percent reduction.

Office of Accounting Services

The Office of Accounting Services performs corporate accounting 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 reflecting the financial performance of the RTC in its corporate, conservatorship, and receivership capacities.

In 1994, the office recorded and reconciled 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 managed the nationwide RTC Accounts Payable System and performed all vendor maintenance for the system. In 1994, the system processed 230,000 invoices to disburse approximately $30.7 billion. The vendor maintenance group, established as the sole authority to review and establish authorized vendors, processed 19,000 vendor additions/changes.

The office managed the 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 1994, the office oversaw the net paydown of Federal Financing Bank principal borrowings by $7.6 billion, compared to a $6.7 billion net paydown in 1993. The office also managed the disbursement of initial funding for the resolution of failed savings associations.

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

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 headquarters and the field offices for financial and related asset-management activities. The office also coordinates activities with the RTC's four financial service centers in Atlanta, Dallas, Denver, and Kansas City to ensure their compliance with procedures relating to field accounting and asset operations functions.

The office directs the activities of the RTC's day-to-day field accounting and asset operations for all assets held in receivership. As of January 1, 1994, receivership assets totaled approximately $40 billion (book value). During the year, receivership assets increased with the addition of $14 billion in assets from 64 resolved thrifts. Sales transactions and principal collections of $31 billion were processed. Special sales initiatives, such as securitizations and structured transactions, required complex financial allocation and processing. At yearend, receivership assets available for sale totaled approximately $23 billion.

The office provides management-reporting services to the RTC's asset sales and asset management components. The office also develops tax and accounting policies, and directs a nationwide financial operations training program. During 1994, approximately 1,400 employees were trained through the program in 10 specialty areas.

The office implemented a standard service contract, which was used to consolidate several individual service contracts, for each of the four financial service centers. This resulted in a savings of several million dollars in first-year contractual expenditures. The National Financial Service Center Contract Oversight and Administration Council was established to monitor, coordinate, and advise on contract administration and oversight matters for all financial service centers.

As part of its continuing fiscal integrity program, the office conducted extensive Compliance Reviews in the six field offices. The office also completed Internal Control Reviews for 49 major financial functions. Significant enhancements were made to the RTC's subsidiary ledger system, including one designed to improve document tracking and control for reconciliations.

The office directs a national cash-management program for receiverships that has an average monthly balance of $2.4 billion. An automated interface for wire transfers between the RTC's Accounts Payable System and the Federal Home Loan Bank of Chicago significantly strengthened the RTC's internal controls over this critical area during the year.

The National Sales Support Office, established in late 1993 as part of the Office of Field Accounting and Asset Operations, provides accounting and asset operations support for special sales initiatives. In 1994, the National Sales Support Office provided assistance in closing 18 special sales transactions encompassing approximately $4.5 billion in book value, and provided financial accountability for approximately $7.5 billion in credit enhancement, payment retention, and disbursement accounts. At yearend, the office had completed processing the reconciliations of 52 percent of the 482,887 loans included in the RTC's 108 special sales initiatives.

To prepare for the RTC's transition to the FDIC, the Office of Field Accounting and Asset Operations began planning the transfer of the division's accounting operations to the FDIC. An evaluation of all of the division's accounting activities is underway to ensure that all accounting operations and activities are operationally sound prior to transfer.

Office of Management Control

The Office of Management Control oversees the RTC's internal control programs. This includes developing corporate internal control policies and procedures, administering the internal control and audit follow-up programs, serving as the liaison with internal and external auditors, and preparing the annual report on the RTC's internal controls.

The office also oversees the resolution of audit issues and recommendations, reports to management on the status of corrective actions, and participates in monitoring the Corporation's compliance with the Chief Financial Officers Act of 1990 and associated policies of the Thrift Depositor Protection Oversight Board.

In 1994, the office implemented several major initiatives to improve the RTC's internal controls system, including two of three internal controls and audit follow-up management reforms required by the RTC Completion Act.

In compliance with the act's first reform requirement, the office issued the 1995 Management Control Plan, which outlines the schedule for internal controls and program compliance reviews to be conducted during the year. To achieve the second required reform, the office implemented procedures to notify the Thrift Depositor Protection Oversight Board of instances when proposed corrective actions would not be taken and the reasons for such decisions. The third required reform under the act—improvements to the Management Reporting System—will be completed in early 1995.

Other 1994 activities included issuing the third annual report to the Thrift Depositor Protection Oversight Board on the evaluation of the internal controls program; establishing the Audit Resolution Committee to address significant unresolved audit recommendations; and considering unique control risks resulting from the transition of operations to the FDIC and procedures to safeguard against such risks.

During the year, the office cleared approximately 1,200 unresolved actions related to oversight reports on contractors; assisted headquarters and field offices prepare responses to 400 audit and review reports from the General Accounting Office, Office of Contractor Oversight and Surveillance, and RTC Office of Inspector General; cleared 170 fraud hotline cases and reports of investigation; and coordinated approximately 100 internal control and program compliance reviews.

Office of Contract Appeals

The Office of Contract Appeals was created in 1994 to support the activities of the newly formed Contract Appeals Committee. The committee was established during the year at the direction of the Deputy and Acting Chief Executive Officer to provide an independent review of appeals of major decisions on contractor and RTC disputes arising during the administration of contracts. The committee is authorized to render final RTC decisions on all appeals of contract dispute decisions in which the questioned amount totals $100,000 or more.

To support the committee, the Office of Contract Appeals provides all administrative and technical assistance required to resolve contract dispute decisions that are appealed. During the year, the office developed policies and procedures for processing and resolving contract disputes, conducted extensive orientation and training for RTC staff and contractors regarding the procedures developed, and created a national tracking and reporting system for contract disputes and appeals of contract dispute decisions.

INFORMATION RESOURCES MANAGEMENT

The Department of Information Resources Management (DIRM) develops and manages national automated information systems to support RTC operations. DIRM also provides technical support for the RTC's information systems. The department consists of the Offices of Systems Development and Corporate Information.

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

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.

In compliance with the RTC Completion Act, in 1994 the office worked with the FDIC to develop the Automated Systems Evaluation Process, establishing the framework for the formal evaluation of the RTC's automated systems. The process will assist in the orderly transfer of responsibility for RTC operations to the FDIC.

In 1994, the office supported information systems in the following RTC areas: finance, assets, resolutions, legal services, contracts, minority and women's programs, and administration. As DIRM's customers continued winding down operations during the year, the office's function shifted toward maintaining the application systems inventory. As needed, the office also actively developed or enhanced corporate information systems, which included the following:

Financial Systems

Financial Management System - Accounts Payable (FMS-AP) — *FMS-AP* processes approved RTC invoices and is fully integrated into the RTC's General Ledger (FMS-GL). During 1994, the office interfaced the FMS-AP with the RTC Legal Information System (RLIS) and the Federal Home Loan Bank (FHLB) system, improving overall control and efficiency.

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 1994, the office increased CTM's reporting capabilities.

Asset Systems

Real Estate Owned Management System (REOMS) — REOMS is the corporate-wide repository for information on the RTC's real estate assets. During 1994, the office enhanced REOMS' purchaser and property tracking capabilities for the Affordable Housing Disposition Program.

National Asset Marketing Application (NAMA) — NAMA stores information about potential investors expressing interest in purchasing RTC assets. During 1994, the office enhanced the system to track data related to the RTC's Small Investor Program.

Legal Systems

Thrift Investigation Management System (TIMS) — TIMS stores data on failed thrifts, and organizations and individuals related to the institutions. It also includes data on the status of investigations into failed thrifts, awarded recoveries, and restitutions. During 1994, the office enhanced TIMS, providing it with a centralized restructured database with multi-user access, and improved security and password maintenance.

Professional Liability Section Case Tracking System (PLSCTS) — PLSCTS is used to oversee all professional liability matters. During 1994, the office merged individual PLSCTS databases into one centralized database to consolidate professional liability case information, and to improve reporting capabilities.

Conflicts Tracking System (CTRACK) — CTRACK, implemented in 1994, tracks the status of a firm's eligibility to enter into contracting engagements for legal services with RTC.

Contract Systems

Contracting Activity Reporting System (CARS) — CARS is used to track the Corporation's contracting activities beginning with the receipt of a potential contractor's statement of work through award, performance, and completion of the contract. In 1994, the office enhanced CARS' editing and validation capabilities, and reporting capabilities for the Minority- and Women-Owned Business Program.

Office of Contractor Oversight & Surveillance Investigations Tracking System (OCOS-ITS) — OCOS-ITS tracks contractor complaints and contractor-related cases brought against the RTC. In 1994, the office installed state-of-the-art programming language in OCOS-ITS to improve system performance.

Administrative Systems

Personnel Action Request System (PARS) — PARS is an FDIC system used to process and track RTC personnel actions. As a result of a 1993 review of the Office of Human Resources Management's functions and data processing needs, PARS was implemented on the FDIC mainframe in 1994 for RTC use.

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 center, Local Area Network (LAN) and Wide Area Network (WAN) operations, and telecommunication services (voice and data).

In 1994, the office worked with the FDIC to merge the RTC's corporate-wide information network, consisting of 12,000 work stations, with the FDIC's network. This effort resulted in the creation of one of the largest Banyan Vines networks nationwide, providing interagency e-mail and file transfer capabilities to 25,000 RTC and FDIC users. The Network Control Center was also established, enabling OCI to monitor and manage the information network, assuring its availability to corporate customers.

In 1994, OCI continued the consolidation of corporate data center operations at the RTC and FDIC's Virginia Square data center in Arlington, Virginia, by moving the Asset Manager System (AMS) and the Control Totals Module (CTM) system from Midland Data Center in Kansas City, Missouri, to Virginia Square.

The office conducted tests of the RTC Data Center Business Recovery Plan to ensure that information systems will continue to be available if normal data center mainframe operations are interrupted due to a disaster or other unanticipated event.

Data Quality Action Plans for the primary information systems were approved by the Chief Financial Officer and the Vice Presidents. These plans were developed as part of the corporate Data Quality Program to ensure that all RTC automated systems data are complete, accurate, and timely.

Teams of OCI managers and program managers reviewed 23 RTC-sensitive mainframe and PC/LAN-based information systems during the year to determine whether the systems provide adequate safeguards and achieve their stated objectives. The Office of Corporate Finance and OSD participated jointly in these reviews to ensure that necessary security and controls were in place and effective.

The Automated Information Systems Data Archiving/ Retention Working Group was formed to determine the optimal technologies for archiving and retaining data in the immediate and post RTC-sunset environment. The group identified data archiving requirements to be used for assessing technology alternatives.

The Software Control System (SCS) was implemented to track commercial off-the-shelf software. This system will ensure that software is accounted for and allocated in a way that will maximize its value to both the RTC and the FDIC during the organizations' downsizing and eventual merger.

In 1994, OCI developed the RTC DIRM Transition Plan for the Transition Task Group and developed a Transition Support Team process and methodology for closing/transitioning offices. The office also collaborated for the first time with FDIC DIRM on a joint FDIC/RTC IRM Strategic Plan for 1995. The plan, which emphasizes customer service, will ensure that the Corporations' information resources satisfy present and future business needs while accommodating changes in business conditions and technology.

REGULATIONS

Final Rules

Service of Process Upon the Resolution Trust Corporation

Published February 9, 1994
Effective February 9, 1994

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

Definition of Predominantly Minority Neighborhood

Published July 26, 1994
Effective August 25, 1994

The RTC adopted a final rule defining "predominantly minority neighborhood" as any U.S. Postal Zip Code geographical area in which 50 percent or more of the persons residing therein are minorities based on the most recent U.S. Census data. The RTC may alternatively determine that other reasonably reliable, readily accessible data indicate different neighborhood boundaries. Subject to its statutory cost constraints, the RTC is required, in considering offers to acquire an institution or branch located in a "predominantly minority neighborhood," to give preference to offers from minority individuals, minority-owned businesses, or minority depository institutions. The RTC is also authorized to grant minority acquirers of such institutions first priority in the disposition of the institutions' assets and to grant the acquirers interim capital assistance and the option to purchase performing assets from other failed institutions. With the new rule, the RTC is able to use objective standards to quickly identify predominantly minority neighborhoods without delaying the resolution of an institution. This final rule was adopted without change from an interim rule that became effective on February 24, 1994.

Marketing and Selling Real Property on an Individual Basis and Disposition of Real Estate-Related Assets

Published November 23, 1994
Effective December 23, 1994

The RTC adopted a final rule establishing procedures for marketing real-estate-owned (REO) assets on an individual basis, and for disposing of REO assets with a book value of more than $400,000 and non-performing real estate loans with a book value of more than $1 million. Consistent with provisions in the RTC Completion Act aimed at expanding opportunities for small investors, the rule requires the RTC to market real property on an individual basis for at least 120 days before making the property available on a portfolio basis or in a multi-asset sales initiative. The rule also lays out marketing procedures designed to ensure that a management and disposition plan is prepared for REO assets with a book value of more than $400,000 and non-performing real estate loans with a book value of more than $1 million, unless the RTC determines that a bulk sale of the asset would maximize net recovery while providing opportunities for broad participation by qualified bidders, or unless certain statutory exceptions apply. This final rule was adopted without change from an interim rule that became effective on September 19, 1994.

Affordable Housing Disposition Program

Published December 13, 1994
Effective January 12, 1995

The RTC issued a final rule amending the RTC's Affordable Housing Disposition Program (AHDP). Among other things, the rule requires that the RTC issue guidance to staff and contractors on how to provide seller-financing information to minority- and women-owned businesses; notify clearinghouses of residential properties appraised above the AHDP limits; adhere to a narrower definition of "non-profit" organizations to ensure that the RTC deals only with qualified not-for-profit entities; and implement a 45-day exclusive marketing period in the Multifamily Direct Sales Program for non-profit organizations and public agencies. These regulations will enhance the availability and affordability of residential real property for very low-income, lower-income, and moderate-income families and individuals. This final rule was adopted without change from an interim final rule that became effective on October 19, 1994.

Interim Final Rule

Affordable Housing Disposition Program

PUBLISHED OCTOBER 19, 1994
EFFECTIVE OCTOBER 19, 1994

See Final Rules for more information on this interim final rule.

Interim Rules

Definition of Predominantly Minority Neighborhood

PUBLISHED FEBRUARY 24, 1994
EFFECTIVE FEBRUARY 24, 1994

See Final Rules for more information on this interim rule.

Marketing and Selling Real Property on an Individual Basis and Disposition of Real Estate-Related Assets

PUBLISHED SEPTEMBER 19, 1994
EFFECTIVE SEPTEMBER 19, 1994

See Final Rules for more information on this interim rule.

Proposed Rule

Claims Based Upon Acts or Omissions of the Receiver

PUBLISHED SEPTEMBER 22, 1994

The RTC proposed adopting a regulation that sets forth procedures applicable to administrative claims based on acts or omissions of the RTC as receiver. The rule would establish time limits for the filing of administrative claims and require the RTC to remind potential claimants of time limits imposed for filing suits.

Revised Policy Statement

Revised Policy Statement for the Disposition of Residential Units Which Were Previously Subject to Rent and Securities Regulations

PUBLISHED FEBRUARY 4, 1994
EFFECTIVE FEBRUARY 4, 1994

The RTC revised its policy statement regarding the abrogation of leases on units in properties that were subject to state and local rent or securities regulations prior to their acquisition by the RTC. The original policy statement prohibited the RTC from exercising its repudiation powers with respect to these types of units if they were leased by low- or moderate-income tenants, and defined such tenants as individuals or families whose incomes did not exceed 115 percent of the area median income. The revised policy statement expands the definition of low- and moderate-income to 130 percent of the area median income, thereby assisting the RTC in preserving the availability and affordability of residential real property for low- and moderate-income individuals.

Policy Statement

Policy Statement on Procedures for Non-Defaulting Commercial Borrowers to Appeal Adverse Credit Decisions of the RTC Acting as Conservator

PUBLISHED JULY 11, 1994
EFFECTIVE JULY 11, 1994

The RTC issued a policy statement outlining an appeals process by which business or commercial borrowers may appeal decisions made by the RTC in its capacity as conservator of an insured depository institution which would have the effect of terminating or otherwise adversely affecting credit or loan agreements, lines of credit, and similar arrangements. The rule applies only to borrowers who have not defaulted on their obligations to the institution in conservatorship.

Notices of Availability

Warranted Contracting Officer Program

PUBLISHED JANUARY 21, 1994
EFFECTIVE FEBRUARY 1, 1994

In accordance with the RTC Completion Act, the RTC notified the public that it maintains the Warranted Contracting Officer Program, which requires that only RTC employees designated by the RTC as warranted contracting officers or managing agents of savings associations under RTC conservatorship may execute contracts on behalf of the RTC.

Legal Warrant Program

PUBLISHED FEBRUARY 7, 1994
EFFECTIVE FEBRUARY 1, 1994

The RTC notified the public that it maintains the Legal Warrant Program, which requires that only employees designated by the RTC as legal officers may execute contracts for legal services on behalf of the RTC.

Warranted Contracting Officer Program

PUBLISHED JUNE 14, 1994
EFFECTIVE MAY 16, 1994

The RTC revised its Warranted Contracting Officer Program to expand contracting authority for certain warranted contracting officers.

FINANCIAL STATEMENTS AND INTERNAL CONTROLS

Comptroller General of the United States

Washington, D.C. 20548

B-259541

June 22, 1995

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, 1994 and 1993, 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.

-- The Corporation fairly stated that internal controls in place on December 31, 1994, were effective in safeguarding material assets against loss from 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 one internal control weakness, we did not consider it to be material.

-- There were no reportable instances of noncompliance with laws and regulations we tested.

The following section presents significant matters considered in performing our audit and forming our opinions. This report also discusses each of the above audit conclusions in more detail and our recommendation for improving the Corporation's internal control structure.

Appendix I discusses the scope of our audit. Appendix II presents the Corporation's financial statements. Appendix III presents management's report on internal controls. The Corporation's written comments on a draft of this report are included in appendix IV.

SIGNIFICANT MATTERS

The following information is presented to highlight (1) uncertainties that could affect the Corporation's loss estimates, (2) the current status of the Corporation and its funding, (3) the potential continuing impact of past weaknesses in contract issuance and contractor oversight, and (4) the progress made in reducing the risk associated with weak internal controls and uncertain funding.

Uncertainties Could Affect Estimated Recoveries From Receivership Assets

Although the Corporation continued to use an appropriate methodology for estimating the future recovery value of receivership assets[1] and has used the best information available, uncertainties regarding general economic conditions, interest rates, and real estate markets could increase or decrease the final cost of resolving failed institutions. The uncertainties impact the final cost of resolving failed institutions by affecting the amount the Corporation ultimately recovers from disposing of receivership assets.

As described in notes 4 and 5 to the financial statements, the Corporation records as assets the full amount advanced to conservatorships and receiverships for liquidity and working capital (Advances) or paid to close failed thrifts (Subrogated Claims). The Corporation then establishes loss allowances against these assets by estimating the difference between the amounts paid or advanced and the expected recovery. As of December 31, 1994, the Corporation estimated a total net recovery of $20.3 billion from its outstanding Subrogated Claims and Advances. The amounts ultimately recovered and repaid to the Corporation may increase or decrease as a result of changes in general economic conditions, interest rates, and real estate markets.

Recoveries from conservatorship and receivership assets are used to repay the Corporation. As of March 31, 1995, approximately 26 percent of the book value of assets held for

[1]The Corporation's estimated recovery values are based in part on a statistical sampling of receivership assets subject to a sampling error of plus or minus $700 million with a 95 percent confidence interval.

sale by the Corporation's receiverships[2] were performing 1-4 family mortgages, cash, and investment securities. The remaining 74 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 a receivership's assets sell later or for less than predicted, the final loss on resolving the failed institution will be higher than estimated. Conversely, higher or earlier recoveries would typically lower the final loss.

As discussed in note 15 to the financial statements, the Corporation's loss allowances also include estimated losses arising from securitization transactions,[3] and representations and warranties[4] made in the process of disposing of the assets of failed institutions. As of December 31, 1994, the allowances included $1.7 billion representing the expected credit losses on securitization transactions and $1.2 billion representing losses arising from representations and warranties. However, the Corporation's loss experience has been limited to date. Although the Corporation used the best information available to estimate these losses, the amount of future losses may significantly increase or decrease over the remaining life of the loans that were sold, which could be as long as 20 years. These future losses will be affected by the behavior of the

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[2]The Corporation's one institution in conservatorship at December 31, 1994, was resolved prior to March 31, 1995.

[3]Securitization refers to the Corporation's practice of selling securities backed by the underlying future cash flows of groups of loans. To protect purchasers of the securities against credit losses arising from defaults and delinquencies of the underlying loans, the Corporation has set aside a portion of the securitization proceeds for possible future credit losses.

[4]The Corporation and its receiverships and conservatorships 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 contracts that convey the right to service mortgages.

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.

The final cost of resolving failed institutions will also be affected by uncertainties related to the Federal Deposit Insurance Corporation's (FDIC) treatment of the Resolution Trust Corporation's remaining receivership assets after it ceases operations on December 31, 1995.[5] The Corporation's estimated loss on resolving failed institutions at December 31, 1994, includes estimates of future asset recoveries and related expenses. These estimates are largely based on the Corporation's experience in disposing of receivership assets. The actual amounts for some asset recoveries and related expenses will be determined after the Corporation ceases operations. After December 31, 1995, FDIC may apply different asset disposition strategies and valuing methodologies which could result in changes to the estimated recovery values of the remaining receivership assets.

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 it will recover from the sale of the failed institution's assets. The portion not recovered from the sale of receivership assets is a loss to the Corporation and must be covered with loss funds. The amount expected to be recovered is borrowed from the Federal Financing Bank (FFB) and is considered working capital.

As shown in table 1, the Congress has made $105 billion available to the Corporation to cover losses associated with resolutions.

[5]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 FDIC.

Table 1: Total Loss Funding Made Available as of December 31, 1994

(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. After the deadline passed, 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.

Table 2, which is based on estimates in the Corporation's December 31, 1994, financial statements and the related notes, shows cumulative estimated loss funding needs of $90.2 billion. This amount includes funding used to cover the Corporation's losses to date as well as amounts needed to complete the resolution of all receiverships, conservatorships, and institutions for which it is probable that government assistance may be required on or before June 30, 1995.[6]

[6]The Corporation's estimated loss funding needs does not include up to $1 billion in losses that the Corporation could possibly incur from pending lawsuits and as yet unasserted claims as discussed in note 11 to the financial statements.

Table 2: Cumulative Estimated Loss Funding Needs as of December 31, 1994

(Dollars in billions)

Receiverships	$ 89.8
Conservatorships and probable failures	.4
Possible failures[a]	0
Total	**$ 90.2**

[a]As of the date of our report, it is highly unlikely the Corporation will have to resolve any institutions considered possible failures before June 30, 1995. Institutions classified as possible failures will more likely become the responsibility of the Savings Association Insurance Fund (SAIF) if failures are to occur. SAIF will assume the Corporation's resolution responsibilities beginning July 1, 1995.

The Corporation's estimates show that $89.8 billion will be used to resolve the 744 institutions closed as of December 31, 1994, and an estimated $.4 billion will be used to resolve the 1 institution in conservatorship and 3 institutions considered probable failures before the Corporation's authority to resolve institutions expires on June 30, 1995.

As shown in table 3, the Corporation estimates it will have $14.8 billion of unused loss funds after resolving all institutions for which it is responsible. This is based on the estimates presented in the Corporation's 1994 financial statements, which are subject to the uncertainties discussed previously and in notes 5 and 10 to the financial statements. The need to use any of the $14.8 billion of estimated unused loss funds is dependent on the Corporation's actual recoveries from receiverships and its actual cost of future resolutions.

Table 3: Estimated Unused Loss Funds After Completion of the Corporation's Resolution Activities

(Dollars in billions)

Total loss funding made available	$ 105.0
Less: cumulative estimated loss funding needed	(90.2)
Estimated unused loss funds	**$ 14.8**

At December 31, 1994, the Corporation had sufficient net assets to repay its $23 billion in working capital borrowings from FFB. The Corporation would only be unable to repay its FFB borrowings if its combined additional losses on receivership assets and future resolutions exceeded the $14.8 billion in estimated unused loss funds.

Currently, the Corporation, FDIC, and the Thrift Depositor Protection Oversight Board are reviewing the funding needed to dispose of the Corporation's assets and settle liabilities remaining after December 31, 1995. This review will consider the need for any additional funding in excess of the Corporation's currently estimated loss funding needs of $90.2 billion.

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.[7] Also, according to the act, funds in excess of the amounts needed by both the Corporation and SAIF will be returned to the general fund of the Treasury.

[7]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 needed by the Corporation. However, prior to receiving such funds, 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.

Controls Over Contracting
Could Affect Recoveries
From Receiverships

The Corporation has used thousands of private contractors to manage and dispose of assets from failed thrifts, including activities such as collecting income and paying expenses. The estimated recoveries from receiverships included in the Corporation's financial statements include the results of the receipts and disbursements made by contractors that perform services for receiverships during the year. Weak operating controls over contract issuance and contractor oversight could impact these estimated recoveries from receiverships. While we assess, as part of our financial statement audit, internal accounting controls over receivership receipts and disbursements, the Corporation's operating controls over contract issuance and contractor oversight are not part of the scope of our audit. These operating controls are considered as part of GAO's other reviews of the Corporation's operations[8] as well as by the Corporation's Inspector General and Office of Contract Oversight and Surveillance.

In response to previously reported operating control weaknesses, the Corporation has taken actions to improve the process of contract issuance and contractor oversight. In addition, the Corporation has recently placed increased emphasis on the process of closing out[9] contracts to ensure that contractors have fulfilled all contractual responsibilities.

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[8]High-Risk Series: An Overview (GAO/HR-95-1, February 1995); High-Risk Series: Quick Reference Guide (GAO/HR-95-2, February 1995); and Resolution Trust Corporation: Efforts Under Way to Address Management Weaknesses (GAO/GGD-95-109, May 12, 1995).

[9]The Corporation's contracting manual states that a contract closeout includes, among other things, a determination by the contracting officer that (1) all deliverables, including reports, have been received by the Corporation and accepted, (2) final payment has been made, (3) all collections of funds due to the Corporation have been completed, (4) all financial documents are in the file, (5) all Corporation property has been returned and accounted for, and (6) all Corporation files have been returned.

However, during 1994, reports issued by the Corporation's Inspector General and the Office of Contract Oversight and Surveillance demonstrate that despite the Corporation's actions to correct contracting problems, the effects of early neglect of contracting operations remain. These reports also identified significant performance problems with contracts that were issued before many contracting reforms and improvements were implemented by the Corporation. As a result, the Corporation remains vulnerable to the risks associated with contracting operations and contractors' performance and cannot be sure that it is recovering all it should from receiverships.

Progress in Reducing Risk

In 1992, we reported that the Corporation was designated as a high-risk entity because of weaknesses in its asset disposition, contracting, information systems, and financial management and accountability.[10] We also noted our concerns about uncertainties affecting its resolution activities and funding levels. Finally, we warned that the thrift clean-up would not be completed before the Corporation closed down and that the total cost would depend, in part, on how effectively FDIC settled any remaining assets and liabilities.

Since 1992, the Congress, the Corporation, and FDIC have reduced these risks to the point that we no longer consider the Corporation a high-risk.[11] The Congress provided the additional funding needed to complete the thrift clean-up, mandated management reforms, and required that a task force be formed to facilitate transition. In addition, the Corporation made substantial progress in addressing internal control and operating weaknesses by implementing mandated reforms and taking additional actions to strengthen operating procedures, information systems, and internal controls. Also, as required, the Corporation and FDIC established a task force to facilitate the transfer of remaining assets, personnel, and operations to FDIC in a coordinated manner. However, one continuing source of concern is the difficulty in terminating a large and complex organization with thousands of personnel and billions in assets, while attempting to minimize disruption. Although transition

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[10] High-Risk Series: Resolution Trust Corporation (GAO/HR-93-4, December 1992).

[11] See footnote 9.

planning has gone well, the Corporation faces the challenge of disposing of its remaining assets and working successfully to carry out the transition while maintaining internal controls and accountability.

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, 1994 and 1993;

-- 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 weakness 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 those estimated in these statements.

OPINION ON MANAGEMENT'S ASSERTION ABOUT THE EFFECTIVENESS OF INTERNAL CONTROLS

We evaluated management's assertion about the effectiveness of its internal controls designed to

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

-- ensure the execution of transactions in accordance with management's authority and with laws and regulations that have a direct and material effect on the financial statements; and

-- properly record, process, and summarize transactions to permit the preparation of reliable financial statements in accordance with generally accepted accounting principles and to maintain accountability for assets.

The Corporation's management fairly stated that those controls in effect on December 31, 1994, provided reasonable assurance that losses, noncompliance, or misstatements material in relation to the financial statements would be prevented or detected on a timely basis, based on the control criteria used. Management's assertion, which is included in appendix III, was made using the internal control and reporting criteria set forth in the implementing guidance for the Federal Managers' Financial Integrity Act of 1982.

However, our work identified the need to improve internal controls, as described in the following section. This weakness, although not considered material,[12] represents a significant deficiency in the design or operation of internal controls which could adversely affect the Corporation's ability to fully meet the internal control objectives listed above. In making its assertion, the Corporation's management considered the internal control weakness we identified.

While management's assertion about the effectiveness of internal controls was reasonable, misstatements may nevertheless occur in other financial information reported by the Corporation. Because of inherent limitations in any system of internal controls, losses, noncompliance, or misstatements may nevertheless occur and not be detected.

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[12]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 statements and to maintain accountability for assets. Reportable conditions that 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.

REPORTABLE CONDITION

The Corporation's corrective actions during 1993 and 1994 resolved two of the three reportable conditions identified in our audit of its 1993 financial statements. The Corporation strengthened controls over posting wire receipts to the general ledger and in reconciling receivership assets. For the remaining reportable condition, weaknesses in general controls over some computerized information systems,[13] the Corporation addressed the weaknesses we identified. However, our audit of the 1994 financial statements identified additional weaknesses such that this reportable condition continued to exist.

Because the Corporation relies on its computer systems extensively, both in its daily operations and in processing and reporting financial information, the effectiveness of general controls is a significant factor in ensuring the integrity and reliability of financial data. Our audit of the Corporation's 1994 financial statements found that the general controls still did not provide adequate assurance that data files and computer programs were fully protected from unauthorized access and modification. However, prior to completion of our fieldwork in June 1995, we found that the Corporation had already corrected several of the weaknesses we identified. In addition, for the remaining weaknesses, the Corporation had prepared corrective action plans.

During 1994, the Corporation performed accounting and control procedures, such as reconciliations and manual comparisons, which would have detected material data integrity problems resulting from inadequate general controls. Without these procedures, the weaknesses in general controls would raise

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[13]General controls are policies and procedures that apply to an entity's overall effectiveness and security of operations, and that create an environment in which application controls and certain user controls operate. General controls include the organizational structure, operating procedures, software security features, system development and change control, and physical safeguards designed to ensure that only authorized changes are made to computer programs, that access to data is appropriately restricted, that back-up and recovery plans are adequate to ensure the continuity of essential operations, and that physical protection of facilities is provided.

significant concerns over the integrity of information obtained from the affected systems.

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 instances of noncompliance that would be reportable under generally accepted government auditing standards.[14]

RECOMMENDATION

We recommend that the Deputy and Acting Chief Executive Officer direct the Corporation's staff to monitor the implementation and progress of the corrective actions related to the weakness we identified in general controls over some of the Corporation's computerized information systems.

CORPORATION COMMENTS
AND OUR EVALUATION

In comments 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 IV, discuss efforts, many of which are ongoing, intended to address the reportable condition. We plan to evaluate the adequacy and

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[14]The Federal Deposit Insurance Corporation Improvement Act of 1991 requires that the Resolution Trust Corporation resolve institutions in the least costly manner and that we report to the Congress annually on the Corporation's compliance with the least-cost provisions. Out most recent least-cost compliance review identified no significant compliance issues. A detailed discussion of our findings and the Corporation's comments is presented in 1993 Thrift Resolutions: RTC's Resolution Process Generally Adequate to Determine Least Costly Resolutions (GAO/GGD-95-119, May 15, 1995).

effectiveness of these efforts as part of our audit of the Corporation's December 31, 1995, financial statements.

Charles A. Bowsher
Comptroller General
of the United States

June 2, 1995

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) management's assertion about the effectiveness of internal controls is fairly stated in all material respects based upon the criteria in GAO's Standards for Internal Controls in the Federal Government required by the Federal Managers' Financial Integrity Act. 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 management's assertion about the effectiveness of internal controls.

We conducted our audit between July 1994 and June 1995 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 IV. We have incorporated the Corporation's views where appropriate.

RESOLUTION TRUST CORPORATION STATEMENTS OF FINANCIAL POSITION

(dollars in thousands)

	December 31, 1994	December 31, 1993
ASSETS		
Cash (Note 3)	$ 4,034,900	$ 6,470,428
Net advances (Note 4, 6, 8 and 14)	2,963,704	7,337,863
Net subrogated claims (Note 5, 6, 8 and 14)	17,378,274	21,158,047
Net assets purchased by the Corporation (Note 6, 7 and 15)	235,097	76,387
Other assets	26,290	10,120
TOTAL ASSETS (Note 14)	**$24,638,265**	**$35,052,845**
LIABILITIES		
Accounts payable, accrued liabilities, and other (Note 16 and 17)	$ 192,622	$ 183,612
Notes payable and accrued interest (Note 9)	23,222,278	30,773,103
Estimated cost of unresolved cases (Note 6, 10 and 15)	410,517	8,097,851
Estimated losses from corporate litigation (Note 6 and 11)	199,030	171,633
TOTAL LIABILITIES	**24,024,447**	**39,226,199**
EQUITY		
Contributed capital (Note 3)	59,526,884	55,523,993
Capital certificates	31,286,325	31,286,325
Accumulated deficit	(90,199,391)	(90,983,672)
TOTAL EQUITY (Note 12)	**613,818**	**(4,173,354)**
TOTAL LIABILITIES AND EQUITY (Note 14)	**$24,638,265**	**$35,052,845**

See accompanying notes

RESOLUTION TRUST CORPORATION STATEMENTS OF REVENUES, EXPENSES AND ACCUMULATED DEFICIT

(dollars in thousands)

	Year Ended December 31, 1994	Year Ended December 31, 1993
REVENUES		
Interest on advances and subrogated claims	$ 853,396	$ 367,751
Other interest income	8,696	12,061
Other revenue (Note 3)	52,644	48,106
TOTAL REVENUES	**914,736**	**427,918**
EXPENSES		
Interest expense on notes issued by the Corporation	1,100,133	1,010,562
Interest expense on amounts due receiverships	78,433	72,977
Reduction in provision for losses (Note 6)	(1,138,118)	(6,579,610)
Administrative operating and other expenses (Note 2, 14 and 17)	90,007	102,340
TOTAL EXPENSES	**130,455**	**(5,393,731)**
NET REVENUE	784,281	5,821,649
ACCUMULATED DEFICIT, BEGINNING	(90,983,672)	(96,805,321)
ACCUMULATED DEFICIT, ENDING (Note 12)	**($90,199,391)**	**($90,983,672)**

See accompanying notes

RESOLUTION TRUST CORPORATION STATEMENTS OF CASH FLOWS

(dollars in thousands)

	Year Ended December 31, 1994	Year Ended December 31, 1993
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflows from:		
Receipts from subrogated claims	$ 9,087,943	$14,577,355
Repayments of advances and reimbursable expenditures	6,020,467	5,836,959
Receipts of interest on advances	402,416	322,666
Receipts from asset liquidations	67,783	40,544
Receipts from other operations	64,272	44,777
Cash outflows for:		
Disbursements for subrogated claims	(10,281,291)	(4,931,341)
Disbursements for advances	(1,977,813)	(3,241,601)
Disbursements for reimbursable expenditures	(1,077,711)	(1,446,145)
Administrative operating and other expenditures	(94,434)	(95,366)
Interest paid on notes payable	(1,050,652)	(770,709)
Disbursements for asset liquidations	(28,202)	(8,225)
Net Cash Provided by Operating Activities (Note 13):	**1,132,778**	**10,328,914**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflows from:		
Contributed capital	4,032,000	34,314
Notes payable	2,300,000	4,100,000
Cash outflows for:		
Repayment of notes payable, principal	(9,900,306)	(11,041,120)
Net Cash Used by Financing Activities	**(3,568,306)**	**(6,906,806)**
Net increase (decrease) in Cash	**(2,435,528)**	**3,422,108**
CASH-BEGINNING	**6,470,428**	**3,048,320**
CASH-ENDING	**$4,034,900**	**$ 6,470,428**

See accompanying notes

Resolution Trust Corporation Notes to Financial Statements

December 31, 1994 and 1993

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. A final date of June 30, 1995 has been selected by the Chairperson of the Thrift Depositor Protection (TDP) Oversight Board.

The activities of the RTC are subject to the general oversight of the Oversight Board, which was redesignated the 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 $59.5 billion to the RTC as of December 31, 1994, $18.8 billion of which was authorized by FIRREA, $30 billion of which was authorized by the Resolution Trust Corporation Funding Act of 1991, $6.7 billion of which related to the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991, and $4.0 billion of which related to the Resolution Trust Corporation Completion Act of 1993 (see Note 12). The 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 which had been returned to Treasury in 1992. 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. No further funds have been provided to either the TDP Oversight Board or the RTC since that time.

The RTC has also issued capital certificates of $31.3 billion to REFCORP as of December 31, 1994 (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 1994.

2. Summary of Significant Accounting Policies:

General. These statements pertain to the financial position, results of operations and cash flows of the RTC, and are presented in accordance with generally accepted accounting principles. These statements do not include the reporting of 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. However, these statements do reflect the RTC's transactions with these thrifts. See Note 14 for more detailed information.

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 June 30, 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 FDIC's Bank Insurance Fund, FSLIC Resolution Fund, and 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, 1994 and 1993, the RTC did not have any cash equivalents.

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

Reclassifications. Certain balances in the 1993 financial statements have been reclassified for comparative purposes.

3. Office of Inspector General:

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

The OIG has received $140.9 million of appropriated funds from the U.S. Treasury since it was established of which $32.0 million relate to the Government's Fiscal Year (FY) 1995 and $34.3 million relate to FY 1994. These funds are used to finance the activities of the OIG. Restricted amounts of $5,238,693 for FY 1994, $3,967,087 for FY 1993, $9,213,040 for FY 1992 and $773,671 for FY 1991 are included in "Cash."

Reductions to the OIG appropriated funds resulting from obligations are recorded as "Other revenue." Accordingly, the OIG appropriated funds were reduced by $29,108,773 and $32,339,972 during 1994 and 1993, 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 $32,000,098 during 1994 and $34,538,230 during 1993. As of December 31, 1994 and 1993, the unobligated OIG appropriation balances included in "Contributed capital" were $41.7 million and $38.8 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 1994 ranged between 3.27% and 6.25%, and between 3.13% and 3.54% in 1993. At December 31, 1994 and 1993, the interest rates on advances were 5.97% and 3.37%, respectively.

	December 31, 1994	December 31, 1993
Advances to conservatorships	$ 81,089	$ 6,522,853
Advances to receiverships	8,084,024	5,406,256
Reimbursements due from receiverships and conservatorships	130,031	307,268
Accrued interest	154,140	73,165
Write-offs at termination - advances (Note 6 and 7)	(20,489)	(3,815)
Allowance for losses on receivership advances (Note 6)	(5,434,002)	(3,981,719)
Allowance for losses on conservatorship advances (Note 6)	(31,089)	(986,145)
	$ 2,963,704	$ 7,337,863

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 $0.7 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." 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 1994 ranged between 2.73% and 5.91%, and between 2.50% and 3.64% in 1993. At December 31, 1994 and 1993, the interest rates paid on these accounts were 5.90% and 2.79%, respectively.

	December 31, 1994	December 31, 1993
Subrogated claims	$222,450,889	$208,331,406
Recovery of subrogated claims	(129,042,815)	(115,566,781)
Claims of depositors pending and unpaid	10,905	17,540
Due to receiverships—assets sold	(716,197)	(2,316,651)
Write-offs at termination - subrogated claims (Note 6 and 7)	(1,984,435)	(639,585)
Allowance for losses on subrogated claims (Note 6)	(73,340,074)	(68,667,882)
	$ 17,378,273	$ 21,158,047

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, 1992	$67,262,634	$4,280,111	$11,225	$16,858,857	$375,375	$88,788,202
Provisions (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
Provisions (reductions)	(314,443)	513,901	(9,124)	(1,355,849)	27,397	(1,138,118)
Write-offs at termination (Note 7)	(1,344,850)	(16,674)	-	-	-	(1,361,524)
Cost of resolutions	6,331,485	-	-	(6,331,485)	-	0
Balance, Dec. 31, 1994	**$73,340,074**	**$5,465,091**	**$7,126**	**$ 410,517**	**$199,030**	**$79,421,838**

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" represents 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):
In order to pay a final dividend to the receiverships' creditors and to expedite the process of legally terminating the receivership entities, the RTC has purchased the remaining assets of selected receiverships. As of December 31, 1994, the RTC had purchased assets from 161 receiverships for $295 million (assets from 77 receiverships for $173 million at December 31, 1993). 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, as of December 31, 1994, the RTC had purchased assets from receiverships, conservatorships, and their subsidiaries for $101 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, 1994	December 31, 1993
Assets in liquidation purchased	$396,377	$173,075
Sales, collections and adjustments	(154,154)	(80,438)
Allowance for losses on corporate assets (Note 6)	(7,126)	(16,250)
	$235,097	$ 76,387

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. 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, 1994 is $101.9 billion (against which $81.5 billion of reserves and contra assets have been recorded). Of this total, $26.6 billion is attributable to institutions located in Texas, $17.0 billion is attributable to institutions located in California, $7.7 billion is attributable to institutions located in Florida and $6.0 billion is attributable to institutions located in Arizona.

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 3.17% and 5.03% during 1994 and between 2.88% and 3.27% in 1993. As of December 31, 1994 and 1993, the RTC had $23.2 billion and $30.8 billion, respectively, in borrowings and accrued interest outstanding from the Federal Financing Bank. These borrowings, approved by the TDP Oversight Board, are within the limitations imposed under FIRREA.

10. Estimated Cost of Unresolved Cases:
The RTC has established a liability of $411 million at December 31, 1994 for the anticipated costs of resolving 4 troubled institutions. Of the 4 institutions, 1 was in conservatorship as of that date. The

other 3 institutions were identified by the OTS as institutions for which it is probable that government assistance may be required on or before June 30, 1995 which is the last date the RTC may be appointed conservator.

The 1994 "Estimated cost of unresolved cases" has declined from the December 31, 1993 estimate of $8.1 billion. The primary reason for this decline was the resolution of cases during 1994 leaving fewer unresolved cases at the end of the year.

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, 1994, 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 $199.0 million has been established as of December 31, 1994 for the 57 actions that management feels are probable to result in a significant loss ($171.6 million at December 31, 1993 for 40 actions). Additionally, the Corporation could possibly incur further losses of up to $1 billion 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, 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)
1994 Net revenue	-	-	784,281	784,281
Resolution Trust Corporation Completion Act of 1993	4,000,000	-	-	4,000,000
FY 95 OIG appropriation	32,000	-	-	32,000
1994 Obligated OIG funds	(29,109)	-	-	(29,109)
Balance, Dec. 31, 1994	$59,526,884	$31,286,325	$(90,199,391)	$ 613,818

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

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

	For the Years Ended December 31, 1994	December 31, 1993
Net Revenue	$ 784,281	$ 5,821,649
Reduction in provision for losses	(1,138,118)	(6,579,610)
Interest expense financed as additional notes payable	-0-	278,975
Increase (decrease) in accrued interest on notes payable	49,481	(39,122)
Increase in accrued interest on amounts due to receiverships	78,433	72,977
Increase in accrued interest due from advances	(200,758)	(35,033)
Receipts from subrogated claims	9,087,943	14,577,355
Repayments of advances and reimbursable expenditures	6,020,467	5,836,959
Receipts from asset liquidations	67,783	40,544
Increase (decrease) in accounts payable, accrued liabilities and other	57,239	(56,628)
(Increase) decrease in reimbursable portion of liabilities above	(19,877)	55,290
Disbursements for advances	(1,977,813)	(3,241,601)
Disbursements for subrogated claims	(10,281,291)	(4,931,341)
Disbursements for reimbursable expenditures	(1,077,711)	(1,446,145)
Disbursements for asset liquidations	(28,202)	(8,225)
OIG income recognized	(29,109)	(32,340)
Interest accrued on subrogated claims	(235,083)	-0-
Other non-cash (income) and expenses (net)	(24,797)	8,594
(Increase) decrease in other assets	(90)	6,616
Net cash provided by operating activities	**$1,132,778**	**$ 10,328,914**

Noncash transactions incurred from thrift assistance and failures:

- $6,331,485 and $1,629,744 were reclassified from "Estimated cost of unresolved cases" to "Allowance for losses on subrogated claims" during 1994 and 1993, respectively, due to the resolution of 64 cases during 1994 and 27 cases in 1993.
- "Due to receiverships—assets sold" decreased by $1,020,715 and $62,157 in 1994 and 1993, respectively, with offsetting decreases of $900,933 and $61,364 to "Advances to receiverships" and of $119,782 and $793 to "Accrued interest" to repay receivership advances and related interest.
- $0 and $278,975 of interest expense was financed through increases in notes payable in 1994 and 1993, respectively.

- "Recovery of subrogated claims" increased by $4,406,990 and $7,602,027 during 1994 and 1993, respectively, with an offsetting decrease in "Due to receiverships—assets sold" to record liquidating dividends declared by receiverships.
- "Subrogated claims" increased by $4,060,927 and $2,983,857 in 1994 and 1993, respectively, resulting from resolution activity with an offsetting increase in "Due to receiverships—assets sold."
- "Due to receiverships" decreased by $11,334 and $15,715 in 1994 and 1993, 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 $130,573 and $89,272 during 1994 and 1993, respectively, with an offsetting decrease to "Due to receiverships—assets sold."
- "Due to receiverships—assets sold" increased by $122,214 and $31,280 in 1994 and 1993, 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, 1994, there were 745 institutions with $40.4 billion of assets for which the RTC was appointed conservator or receiver. This compares to 743 institutions with $75.7 billion of assets at December 31, 1993.

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, 1994, the net balances of advances and subrogated claims were $3.0 billion and $17.4 billion (net of "Due to receiverships—assets sold" of $0.7 billion), respectively. The RTC owed $0.7 billion to receiverships, including the liability account of $2 million, at December 31, 1994 resulting from resolution transactions (see Note 5). Interest income earned on advances and subrogated claims was $853 million during the year ended December 31, 1994 and interest expense on amounts due receiverships was $78 million.

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. Total amounts due receiverships were $2.3 billion, including the liability account of $13 million. Interest income 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.

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 1994, the RTC sold $7.1 billion of loans through these programs ($5.2 billion through 1993).

The RTC funds the activities of the TDP Oversight Board based on its fiscal year budgets. The amounts funded in 1994 and 1993 were $5.2 million and $5.1 million, respectively. These amounts are subject to the Corporation's policy of allocating corporate expenses to the receiverships.

"Administrative operating and other expenses" for the Corporation were $90.0 million and $102.3 million for the years ended December 31, 1994 and 1993, respectively (total costs of $848.3 million and $933.0 million less $758.3 million and $830.7 million billed back to receiverships during 1994 and 1993, respectively). The Corporation bears the costs of administrative expenses for the assets purchased from receiverships in the termination process since they are managed by the Corporation (see Note 7).

15. Commitments and Guarantees:

SECURITIZATION CREDIT RESERVES:

Through 1994, the RTC sold through its mortgage-backed securities securitization program $39.2 billion of receivership, conservatorship and Corporate loans ($36.6 billion through 1993). 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 and recovered reserves. Through December 1994, the amount of claims paid was approximately 6% of the initial reserve funds. At December 31, 1994 and 1993, reserve funds related to the RTC securitization program totalled $7.0 billion and $6.7 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, 1994, the RTC included $1.7 billion in these provisions to cover future estimated losses on the reserve funds ($1.5 billion as of December 31, 1993). As of December 31, 1994, the provisions were offset by $0.6 billion, the market value of the residual pass-through certificates ($0.8 billion as of December 31, 1993).

REPRESENTATIONS AND WARRANTIES:

The RTC has provided guarantees, representations and warranties on approximately $98 billion in unpaid principal balance of loans sold and approximately $151 billion in unpaid principal balance of loans under servicing right contracts which have been sold. In general, the guarantees, representations and warranties on loans sold primarily relates to the completeness and accuracy of loan documentation, the quality of the underwriting standards used, the accuracy of the delinquency status when sold, and the conformity of the loans with characteristics of the pool in which they were 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 the loans.

For loans which were sold through the securitization program or for which the sales terms provided corporate guarantees, the receiverships and conservatorships who sold the loans have established escrow 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' representations and warranties claims as part of the RTC's allowances for losses. Additionally, the RTC estimates Corporate losses related to the conservatorships' representations and warranties claims as part of the RTC's "Estimated cost of unresolved cases." The Corporation has also established a liability for the estimate of losses related to representations and warranties claims associated with loan sales that involved corporate purchased assets (see Note 7).

As of December 31, 1994, the RTC included $1.2 billion in these provisions to cover the estimated costs of representations and warranties claims ($1.2 billion as of December 31, 1993).

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, 1994, the RTC has issued a commitment to honor approximately $1.0 billion of these letters of credit. The Corporation has also established a liability for the estimate of losses related to letters of credit in the amount of $275 million.

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, 1994, $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, 1994, these offices include: (1) the Washington, D.C. Headquarter offices, (2) the six megasite offices, and (3) the three 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 $0.2 million. The RTC's rental expense for 1994 and 1993 totalled $49.8 million and $59.5 million, respectively. The RTC's total contractual obligations under lease agreements for office space are approximately $94.4 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):

1995	1996	1997	1998	1999	2000/Thereafter
$37,823	$16,982	$6,616	$7,069	$7,069	$18,851

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, 1994 and 1993 were approximately $18.4 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 $24.8 million at December 31, 1994, and $20.2 million at December 31, 1993.

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 recorded charges of $6.9 million and $13.8 million for the current periodic cost, for 1994 and 1993, 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 1994 and 1993 included the following components (in millions):

	1994	1993
Service cost, benefits attributed to employee service during the year	$7.2	$ 8.5
Interest cost on accumulated postretirement benefit obligations	4.1	4.4
Net amortization and deferral	(1.4)	.9
Return on plan assets	(3.0)	.0
Net periodic postretirement benefit cost	$6.9	$13.8

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. As of December 31, 1994, the RTC has included as a current liability on its Statement of Financial Position an amount equal to $6.1 million for a revised 1994 net periodic postretirement cost ($5.2 million as of December 31, 1993).

The discount rate used in the calculation of the postretirement benefit obligation was 6.0% in 1994 (6% in 1993). The assumed medical inflation trend in 1994 was 12.5% (14% in 1993), decreasing to an ultimate rate of 8.0% in 1998 and remaining at that level thereafter. The dental cost trend rate in 1994 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, 1994 would have increased $15.3 million, or 26.2% ($17.8 million, or 27.3% as of December 31, 1993). Additionally, a one percent increase would have increased the aggregate service and interest costs of the 1994 net periodic postretirement health care benefit cost by $2.9 million, or 29.9% ($3.7 million, or 31.7% of the 1993 cost).

Management's Report on Internal Controls

RESOLUTION TRUST CORPORATION

Resolving The Crisis
Restoring The Confidence

Chief Financial Officer

1994 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 Thrift Depositor Protection Oversight Board (TDPOB) issued a policy statement on internal controls dated July 25, 1991, encouraging the RTC to establish and adhere to internal control 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 vest in its Chief Financial Officer powers substantially similar to those provided in the Chief Financial Officers Act of 1990.

To meet the TDPOB's expectations, the internal control system established by RTC 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.

Internal Control Program Activity

The RTC has continuously enhanced its internal control system, reinforced its commitment to promote and encourage internal control program activity and taken major steps to measurably improve internal controls throughout the Corporation.

Over the life of the Corporation, formal internal control and audit follow-up program directives were implemented, automated systems and procedures for tracking internal control weaknesses and audit findings were developed, management training sessions and conferences were held, additional resources were allocated to field internal control components, enhanced coordination was effected between field and headquarters, a proactive program of assessing internal controls was developed and a comprehensive internal control review initiative was completed.

During 1994, the Corporation's objectives were to build on past successes by managing and maintaining its existing programs, by continuing to aggressively pursue its internal control and review activity and to begin planning for RTC's downsizing and consolidation with the Federal Deposit Insurance Corporation (FDIC) in a manner that preserves accountability and fiscal integrity.

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In 1994, RTC program managers completed 85 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 1994, the GAO issued a total of 11 reports resulting from its audits and reviews of RTC operations and financial statements, and the RTC's OIG issued a total of 158 reports on its audits and reviews.

Management's Assertion

Management acknowledges its responsibility for establishing and maintaining an effective system of internal control. During the year, management evaluated the Corporation's internal control system to determine whether it achieved its objectives. The evaluation was based on the control criteria established under FMFIA, federal directives and applicable policy statements of the TDPOB. Based on that evaluation, management believes that the Corporation's internal control system as of December 31, 1994, was effective in safeguarding material assets against loss from 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.

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.

It should be noted that, notwithstanding management's overall conclusion on the adequacy of RTC's system of internal control, high risk areas and control weaknesses were identified and disclosed through internal control reviews undertaken in 1994. However, management does not consider the high risk areas and control weaknesses disclosed to be material in relation to the financial statements. Through December 31, 1994, the high risk areas and control weaknesses, along with the status of corrective actions taken or proposed, were disclosed in the Corporation's 1994 Internal Control Report to the TDPOB dated March 31, 1995.

Donna H. Cunninghame

Donna H. Cunninghame

Comments From the Resolution Trust Corporation

RTC

RESOLUTION TRUST CORPORATION

Resolving The Crisis
Restoring The Confidence

Chief Financial Officer

June 12, 1995

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
1994 and 1993 Financial Statements

Dear Mr. Bowsher:

We appreciate being given the opportunity to respond to the General Accounting Office (GAO) draft report of the Resolution Trust Corporation's (RTC) 1994 and 1993 financial statements prior to its issuance. We are pleased that the GAO has concluded that the statements are reliable in all material respects, and that the objective of the RTC in receiving an unqualified audit opinion for the year ended December 31, 1994, has been met.

We also appreciate that the GAO has concluded that management fairly stated that RTC's system of internal controls provides reasonable assurance that losses, non-compliance, or misstatements material in relation to the financial statements would be prevented or detected on a timely basis. Additionally, we note that the GAO found no reportable instances of non-compliance with laws or regulations during the course of the audit. We acknowledge the positive comments by the GAO related to the progress made by the RTC in addressing and correcting the internal control weaknesses identified in prior GAO financial audits. In that regard, we wish to express our appreciation to the GAO for the assistance and guidance provided in achieving that progress.

Throughout the period from its original formation to the end of the fiscal period covered by the GAO audit, the RTC has expended substantial effort in addressing the operational deficiencies such as those which were documented in the 1992 GAO report (HR93-4). In that report, the RTC was designated as "high risk" because of certain operational weaknesses, concern associated with its resolution activities, and potentially insufficient funding levels. Since the issuance of the 1992 report, additional funding has been provided by the Congress. Further, progress has been made by the RTC in implementing mandated management reforms, enhancing internal controls and improving its general operating procedures. We are, therefore, pleased that the GAO has removed the "high risk" designation from the RTC.

The RTC is now focused on issues associated with transition of operations to the FDIC, and we are confident that satisfactory results will be achieved in meeting this major responsibility.

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The following addresses the remaining significant matters and the reportable condition identified in the GAO draft audit report for 1994:

SIGNIFICANT MATTERS

1) Uncertainties could affect estimated recoveries from receivership assets.

We concur with GAO's assessment that changes in general economic conditions, interest rates and real estate markets could affect the final cost of resolving failed institutions.

Given the present economic circumstances, we are confident that through December 31, 1995, the assumptions used in estimating the recoveries on assets, and the bases for reserve requirements for future credit losses on securitizations and for established reserves for claims arising from representations and warranties are appropriate. We agree that any significant changes in disposal strategies or valuation methodologies by the FDIC, following sunset of the RTC, may change financial asset valuations used for subsequent accounting periods. However, because of the expected reduction in the size of the remaining portfolio of assets and the existing level of corporate reserves, these uncertainties will become less of a substantive exposure.

2) Funding and current status of the corporation.

We are satisfied that the estimated $90.2 billion at year end 1994 in total loss funding needed compares favorably with the estimated funding requirements of $92.0 billion as of December 31, 1993. We expect little change in the amount of the current estimates or the related methodology to be used during fiscal year 1995. Further, a joint effort is presently underway in cooperation with the FDIC to review additional funding needed to dispose of the Corporation's assets and settle liabilities remaining after the RTC ceases operations.

We concur that the level of uncertainties, as noted above, exist as to the actual financial outcome of RTC operations. Certain economic factors could affect the recovery value of the remaining assets. Similarly, other factors could influence the final funding requirements of the RTC through changes in assumptions as to future reserve and/or contingency requirements.

3) Controls over contracting could affect recoveries from receiverships.

We concur with the observation in your draft report that the RTC continues to deal with the effects of contracting problems associated with the early years of its operation. As discussed in our prior year commentary on this issue, the RTC established a number of corporate initiatives and enhanced certain operating procedures to ensure that appropriate control and oversight would exist within our ongoing contracting operations. To deal with the historical problems associated with this corporate function, we have encouraged and supported the efforts of the RTC's Office of the Inspector General and the Office of Contractor Oversight and Surveillance in assisting RTC management in identifying and resolving these historical problems.

REPORTABLE CONDITION

1. Computerized Information System controls.

We concur with the GAO report that additional actions are needed in order for the RTC to rely more fully on the automated systems it currently uses in its daily activities. During the past year the RTC has:

A) developed and implemented operational changes to resolve the issues of control identified in the 1993 financial audit report issued by the GAO;

B) responded to and implemented the significant changes and improvements mandated for our Information Systems operation by the Resolution Trust Corporation Completion Act of December 1993; and

C) implemented many changes to correct the control weaknesses identified in January 1995 as a result of the current annual audit effort.

It is our expectation that actions taken and those planned will serve to correct remaining control weaknesses in the near term. Further, it is our understanding that agreement has been reached on the resolution of all these issues between the GAO and the RTC.

Please contact me if any further RTC assistance may be provided by this office.

Sincerely,

Donna H. Cunninghame

Donna H. Cunninghame

STATISTICS

RTC Conservatorships

January 1, 1994, through December 31, 1994

State	Associations in Conservatorship December 31, 1993	Associations Placed into Conservatorship January 1, 1994-December 31, 1994	Conservatorship Resolutions January 1, 1994-December 31, 1994			Associations in Conservatorship December 31, 1994
			P&A	Payoff	Total	
ALABAMA	1	0	1	0	1	0
CALIFORNIA	8	0	5	3	8	0
CONNECTICUT	1	0	1	0	1	0
FLORIDA	10	0	10	0	10	0
GEORGIA	2	0	2	0	2	0
ILLINOIS	2	0	2	0	2	0
IOWA	1	0	1	0	1	0
KANSAS	2	0	2	0	2	0
LOUISIANA	4	0	4	0	4	0
MAINE	1	0	1	0	1	0
MARYLAND	4	0	4	0	4	0
MASSACHUSETTS	2	0	2	0	2	0
MISSISSIPPI	1	0	1	0	1	0
NEW HAMPSHIRE	1	0	1	0	1	0
NEW JERSEY	7	0	6	0	6	1
NEW YORK	1	0	1	0	1	0
OHIO	1	0	1	0	1	0
OREGON	1	0	1	0	1	0
PENNSYLVANIA	3	0	3	0	3	0
RHODE ISLAND	1	0	1	0	1	0
SOUTH CAROLINA	2	0	2	0	2	0
TENNESSEE	1	0	1	0	1	0
VIRGINIA	6	0	6	0	6	0
Total	**63**	**0**	**59**	**3**	**62***	**1**

*Does not include 2 non-conservatorship institutions resolved under the Accelerated Resolutions Program.

Note: P&A–purchase and assumption; Payoff–insured deposit payoff.

RTC Resolutions

January 1, 1994, through December 31, 1994

(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
25 Feb	Lemont FSA, Lemont, IL	PA	$ 87,412	$ 115,575	$ 77,309	7,262	$ 65,069	Branch Sale
25 Feb	Potomac FSB, Silver Spring, MD	PA	39,447	48,281	22,266	1,873	21,091	Maryland FS&LA, Hyattsville, MD
25 Feb	Volunteer FSA, Little Ferry, NJ	PA	22,531	27,889	27,487	4,366	6,337	Interchange State Bank, Saddle Brook, NJ
4 Mar	New England FSA, Wellesley, MA	PA	45,141	51,893	22,947	1,146	18,242	Cambridgeport Bank, Cambridge, MA
11 Mar	Life FSB, Clearwater, FL	PA	25,446	34,731	25,102	3,524	12,766	Life SB, FSB, Clearwater, FL
11 Mar	Pioneer FS&LA, Prairie Village, KS	PA	131,602	128,210	89,637	6,780	48,759	Branch Sale
11 Mar	Plymouth FSA, Plymouth, MA	PA	63,845	85,587	84,176	18,828	22,837	Branch Sale
11 Mar	Federal SA of VA, Falls Church, VA	PA	11,505	15,377	1,705	401	10,254	Fairfax B&TC, Fairfax, VA
18 Mar	Advanced FSB, Northridge, CA	PO	8,242	24,068	5,821	766	15,358	None
18 Mar	Irving FB for Savings, FSB, Chicago, IL	PA	193,599	183,045	160,863	27,195	14,598	Branch Sale
18 Mar	First FSA, Lewiston, ME	PA	41,372	47,611	46,332	6,156	14,278	Kingfield SB, Kingfield, ME
23 Mar	Life FSB, Baton Rouge, LA	PA	11,744	12,386	9,975	2,869	1,318	Liberty B&TC, New Orleans, LA
25 Mar	Delta FSB, Westminster, CA	PA	16,254	18,475	3,459	1,253	9,489	East-West FB, FSB, San Marino, CA
25 Mar	Abraham Lincoln FSA, Dresher, PA	PA	50,293	62,826	60,988	11,881	13,855	Branch Sale
25 Mar	Liberty FSB, Warrenton, VA	PA	59,545	59,742	25,546	5,926	15,758	Jefferson NB, Charlottesville, VA
8 Apr	Golden State FSB, Irvine, CA	PO	46,604	45,885	2,825	183	1,652	None
8 Apr	Jacksonville FSB, Jacksonville, FL	PA	61,185	75,049	74,045	4,937	26,246	First Union NB of FL, Jacksonville, FL
8 Apr	Carrollton Homestead Assn., FA, New Orleans, LA	PA	20,188	19,938	12,117	823	550	Liberty B&TC, New Orleans, LA
8 Apr	Homestead FSA, Middletown, PA	PA	67,798	82,947	73,839	11,553	28,727	Farmers Trust Co., Carlisle, PA
15 Apr	Westside Bank, a FSB, Los Angeles, CA	PO	62,585	63,102	33,209	1,610	17,386	None
15 Apr	Goldome FSB, St. Petersburg, FL	PA	218,565	385,550	379,410	49,203	127,112	First of America Bank-FL FSB, St. Petersburg, FL
15 Apr	Security FS&LA, Jackson, MS	PA	184,233	193,894	155,143	31,017	36,170	Branch Sale
15 Apr	Hansen FSA, Hammonton, NJ	PA	203,688	252,497	251,554	42,521	61,345	Collective FSB, Egg Harbor, NJ
15 Apr	Far West FSB, Portland, OR	PA	365,466	730,651	717,809	92,455	387,412	Branch Sale
22 Apr	Southern FSA of GA, Atlanta, GA	PA	55,354	62,453	59,312	6,098	13,039	Branch Sale
22 Apr	Prospect Park FSB, West Paterson, NJ	PA	128,125	207,167	195,155	30,691	109,143	Lakeview SB, Paterson, NJ
29 Apr	Pan American FSB, San Mateo, CA	PA	141,531	135,761	120,520	12,415	6,002	Pan American Bank, FSB, San Mateo, CA
29 April	Citizens FSA, Jacksonville, FL	PA	21,667	29,370	29,188	3,425	9,319	Branch Sale
29 Apr	Citadel FS&LA, Charleston, SC	PA	15,051	17,905	6,390	413	8,483	Carolina First Bank, Greenville, SC
29 Apr	Vista FSA, Reston, VA	PA	48,657	71,021	35,339	2,290	31,785	Eastern American Bank, FSB, Herndon, VA
6 May	Security FSA, Panama City, FL	PA	21,210	37,060	36,071	3,740	17,747	Branch Sale
6 May	White Horse FS&LA, Trenton, NJ	PA	26,749	41,365	38,295	6,975	19,138	Collective FSB, Egg Harbor, NJ
6 May	Polifly FS&LA, New Milford, NJ	PA	268,711	269,897	248,791	32,319	37,987	Branch Sale
6 May	Commonwealth FSB, Manassas, VA	PA	20,496	35,085	28,589	5,151	18,555	Fairfax B&TC, Fairfax, VA
13 May	Great American FSA, San Diego, CA	PA	1,550,352	2,498,704	1,994,384	185,493	1,181,307	Branch Sale
13 May	Piedmont FSA, Manassas, VA	PA	277,714	298,713	159,897	24,653	85,843	Crestar Bank, Richmond, VA
20 May	Altus FSB, Mobile, AL	PA/PO	328,239	471,000	433,094	60,929	156,062	Branch Sale
20 May	Coastal FSB, New London, CT	PA	128,257	141,099	138,463	24,940	11,359	Branch Sale
3 Jun	Encino SB, FSB, Encino, CA *	PA	95,362	90,250	89,021	5,255	4,605	American SB, FA, Stockton, CA
3 Jun	Columbia Banking FSA, Rochester, NY	PA	657,292	725,400	717,732	123,266	51,703	Branch Sale
3 Jun	Cooper River FSA, North Charleston, SC	PA	64,028	73,852	66,028	15,951	15,812	First Citizens B&TC of SC, Columbia, SC
10 Jun	Franklin FSA, Ottawa, KS	PA/PO	1,099,345	1,434,425	865,264	70,769	338,642	Branch Sale
10 Jun	John Hanson FSB, Beltsville, MD	PA	137,758	238,530	151,490	25,030	150,231	Branch Sale
17 Jun	Security FSB, Vineland, NJ	PA	717,459	730,287	498,024	103,875	74,595	Meridian Bank, NJ, Medford, NJ
24 Jun	United FSA of Iowa, Des Moines, IA	PA	205,952	273,892	267,384	52,098	80,877	Branch Sale
24 Jun	Ukrainian FS&LA, Philadelphia, PA	PA	41,940	42,827	41,351	5,326	5,313	Branch Sale
8 Jul	Old Stone FSB, Providence, RI	PA	1,325,162	1,352,281	1,104,731	176,199	141,362	Citizens SB, Providence, RI
15 Jul	The Guardian Bank, a FSB, Boca Raton, FL	PA	36,793	39,748	24,791	2,438	5,863	Shawmut Bank, FSB, Boca Raton, FL
15 Jul	Bay FSB, West Palm Beach, FL	PA	3,236	15,833	14,807	968	12,601	Fidelity FSB of FL, West Palm Beach, FL
15 Jul	Coral Coast FSB, Boynton Beach, FL	PA	9,290	23,528	18,157	975	15,479	Mackinac SB, FSB, Boynton Beach, FL
22 Jul	Hansen FSB, Palm Beach Gardens, FL	PA	7,404	17,794	13,054	817	10,384	Fidelity FSB of FL, West Palm Beach, FL
22 July	HomeBank FSA, Gilford, NH	PA	55,299	75,538	73,164	13,086	28,256	Branch Sale
29 Jul	Guardian FSA, Huntington Beach, CA	PA	170,826	256,699	80,687	3,902	142,643	Home Savings of America, FSB, Irwindale, CA
12 Aug	Cobb FSA, Marietta, GA	PA	17,362	40,921	27,537	6,617	25,949	First Union NB of GA, Atlanta, GA
19 Aug	Hollywood FSB, Hollywood, FL	PA	375,835	538,448	536,402	72,494	158,801	First Union NB of FL, Jacksonville, FL
26 Aug	Oak Tree FSB, New Orleans, LA	PA/PO	1,549,049	2,821,657	379,349	40,994	1,390,979	Branch Sale
9 Sep	Western FSB, Marina del Rey, CA	PA	2,847,684	2,831,813	1,814,112	107,488	239,194	Branch Sale
9 Sep	Dryades S&LA, F.A., New Orleans, LA	PA	60,000	73,406	71,537	8,506	16,654	Dryades SB, FSB, New Orleans, LA
16 Sep	Second National FSA, Salisbury, MD	PA	833,260	858,736	526,279	63,063	205,807	Branch Sale
16 Sep	TransOhio FSB, Cleveland, OH	PA	1,232,862	1,347,785	1,284,507	223,890	104,046	Branch Sale
23 Sep	Cherokee Valley FSA, Cleveland, TN	PA	74,915	73,137	72,193	15,152	0	Branch Sale
30 Sep	Home FSB, Norfolk, VA	PA	79,950	110,938	60,188	5,007	47,036	Home SB, FSB, Norfolk, VA
18 Nov	Standard FSA, Gaithersburg, MD	PA	1,182,231	1,348,547	102,485	28,772	371,612	Branch Sale
16 Dec	Cornerstone Bank, FSB, Mission Viejo, CA*	PA	68,569	64,557	55,654	1,222	8,429	California FB, a FSB, Los Angeles, CA
Total	**64 Institutions**		**$18,019,266**	**$22,582,638**	**$14,842,980**	**1,907,220**	**$6,329,251**	

Notes: 1) Data based on TFR data for the quarter prior to the date of resolution. 2) PO-insured deposit payoff; PA-purchase & assumption.
3) "Estimated Cost of Resolution" as of date of resolution. 4) The RTC received $4 billion in January 1994 pursuant to the RTC Completion Act. Institutions resolved during 1994 were resolved using funds from the Completion Act as well as previous funding bills.
* Institution was resolved under the Accelerated Resolutions Program.

RTC Resolved Conservatorships

August 9, 1989, through December 31, 1994

(dollars in thousands)

	Number	Assets	Liabilities	Deposits	Number of Accounts
In Conservatorship as of 8/9/89	262	$ 116,517,869	$122,868,781	$ 92,696,659	8,819,111
Added in 1989	56	26,179,812	26,136,879	20,176,012	2,267,728
Resolved in 1989	37	13,722,945	14,378,049	11,498,072	1,158,411
In Conservatorship as of 12/31/89	281	$ 128,974,736	$134,627,611	$101,374,599	9,928,428
Added in 1990	207	129,662,059	128,934,235	94,826,424	9,205,494
Resolved in 1990	309	136,373,273	140,649,769	106,027,378	11,188,766
In Conservatorship as of 12/31/90	179	$ 122,263,522	$122,912,077	$ 90,173,645	7,945,156
Added in 1991	123	72,940,093	72,051,337	57,470,402	5,124,146
Resolved in 1991	211	122,941,749	124,257,880	94,386,531	8,373,784
In Conservatorship as of 12/31/91	91	$ 72,261,866	$ 70,705,534	$ 53,257,516	4,695,518
Added in 1992	50	35,923,720	34,749,930	25,259,793	2,996,545
Resolved in 1992	60	36,302,997	35,658,138	28,249,005	2,703,935
In Conservatorship as of 12/31/92	81	$ 71,882,589	$ 69,797,326	$ 50,268,304	4,988,128
Added in 1993	8	6,279,525	5,919,847	4,787,404	392,707
Resolved in 1993	26	19,485,057	18,828,229	14,253,104	1,599,988
In Conservatorship as of 12/31/93	63	$ 58,677,057	$ 56,888,944	$ 40,802,604	3,780,847
Added in 1994	0	0	0	0	0
Resolved in 1994	62	53,756,374	52,117,725	38,181,235	3,502,872
In Conservatorship as of 12/31/94	1	$ 4,920,683	$ 4,771,219	$ 2,621,369	277,975
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
Institutions resolved under the Accelerated Resolutions Program in 1994	2	$ 142,095	$ 135,098	$ 127,410	6,093
All Institutions:					
Conservatorships	705	$382,582,395	$385,889,790	$292,595,325	28,527,756
Non-conservatorships	39	22,741,509	22,879,963	19,798,083	2,620,417
Total	**744**	**$405,323,904**	**$408,769,753**	**$312,393,408**	**31,148,173**

Note: Data at quarter prior to date of conservatorship (date of resolution for non-conservatorship resolutions).
Data revises previous RTC Annual Report data where applicable.
* Four non-conservatorship institutions were resolved under the Accelerated Resolutions Program in 1990.

RTC Resolutions

August 9, 1989, through December 31, 1994

(dollars in billions)

State	Resolutions August 9, 1989 – December 31, 1994				Cost of Resolution†	Savings‡
	P&A	IDT	Payoff	Total		
Alabama	10	1		11	$ 0.53	$0.07
Alaska	1	1		2	0.17	0.01
Arizona	5	4		9	5.33	0.21
Arkansas	12	3	3	18	2.27	0.02
California* (7)	43	16	13	72	12.41	0.74
Colorado	8	6	3	17	1.49	0.02
Connecticut	7	1		8	0.16	0.02
Florida* (4)	38	9	2	49	7.11	0.54
Georgia	14	2		16	0.71	0.04
Illinois* (3)	41	8		49	1.52	0.27
Indiana	4			4	0.04	0.01
Iowa* (1)	11		1	12	0.30	0.06
Kansas	13	10		23	2.11	0.12
Kentucky* (1)	3			3	0.05	0.01
Louisiana* (2)	11	28	13	52	4.16	0.07
Maine	1	1		2	0.03	0.00
Maryland* (1)	10	4		14	1.52	0.07
Massachusetts	5	1		6	1.49	0.03
Michigan	4			4	0.07	0.03
Minnesota* (1)	2	3		5	0.88	0.03
Mississippi	12	5	2	19	0.65	0.04
Missouri* (2)	10	4		14	1.49	0.06
Nebraska	5	3		8	0.47	0.01
Nevada* (1)	1			1	0.00	0.00
New Hampshire	2			2	0.05	0.01
New Jersey* (1)	27	5	1	33	3.24	0.17
New Mexico	6	2	3	11	1.76	0.00
New York* (2)	14			14	3.05	0.18
North Carolina	8	1		9	0.43	0.06
North Dakota	2	1		3	0.17	0.00
Ohio* (5)	17		1	18	0.69	0.29
Oklahoma* (1)	14	4		18	0.78	0.03
Oregon	3			3	0.50	0.16
Pennsylvania* (1)	19			19	2.90	0.15
Puerto Rico	1			1	0.12	0.04
Rhode Island	1		1	2	0.15	0.16
South Carolina	6			6	0.15	0.03
South Dakota* (1)	2			2	0.06	0.01
Tennessee	8	3		11	0.31	0.03
Texas* (2)	61	29	47	137	23.79	0.57
Utah	4	1		5	0.49	0.03
Virginia* (1)	16	1	1	18	2.10	0.15
Washington	3			3	0.12	0.01
West Virginia	4			4	0.02	0.01
Wisconsin	2	1		3	0.10	0.00
Wyoming* (2)	3		1	4	0.04	0.01
Total (45 states & Puerto Rico)	**494**	**158**	**92**	**744**	**$85.95**	**$4.57**

*Thirty-nine non-conservatorship institutions were resolved through yearend 1994, 37 of which were resolved under the Accelerated Resolutions Program. Number, by state, is indicated in parentheses.

†Resolution cost estimated at time of resolution. The total cost has been revised to $89.72 billion based on updated estimated asset values.

‡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.
P&A-purchase and assumption; IDT-insured deposit transfer; Payoff-insured deposit payoff.