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FDIC'S List of "Problem" Banks Grows Despite Record 2001 Earnings

NEW YORK, Feb. 28 (LendingIntelligence.com) — While announcing record bank earnings today, Donald Powell, chairman of the [Federal Deposit Insurance Corp.](#) also said the agency added more banks to the FDIC's problem list last quarter than during any previous quarter the past 11 years.

Overall, the government regulator reported earnings at commercial banks were a record \$74.6 billion, or \$3.5 billion more than the previous best year, in 1999. Fourth-quarter earnings of \$19 billion were also a record, Powell said.

Meanwhile, Powell also noted that banks' core income — including lending — was down in 2001, net charge-offs reached an all-time high, credit quality deteriorated for the second straight year, and the number of banks on the FDIC's problem list grew by 28%.

In total, there is now \$36 billion worth of "problem" bank assets, the largest figure since 1994. The 21 new banks added to the list represent \$22 billion of that total.

Banks are reviewed every year by FDIC regulators and rated on a 1-to-5 scale, one being the best and five the worst. Banks that rate a four or five are placed on the problem list.

According to an FDIC spokesman, the ratings are based on routine safety and soundness exams. Such problems as financial, operation or managerial weaknesses that threaten continued viability can lead a bank to being placed on the list. If in a subsequent review, the bank's rating improves to a three or better, it is removed from the list. The FDIC spokesman said that banks on the list are reviewed more frequently than other institutions.

The FDIC does not release the names of institutions on the list,

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because it believes if the information were public, customers would withdraw their deposits from banks on the problem list.

Powell also noted that net charge-offs in 2001 hit \$36.5 billion, the most ever, and fourth quarter charge-offs were up 44% from the same period in 2000.

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