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Resolving The Savings And Loan Crisis: Billions More and Additional Reforms Needed

Statement of
Charles A. Bowsher
Comptroller General of the United States

Before the
Committee on Banking, Housing and Urban Affairs
United States Senate

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SUMMARY OF STATEMENT BY
CHARLES A. BOWSHER
COMPTROLLER GENERAL
OF THE UNITED STATES

We have completed our audit of the Federal Savings and Loan Insurance Corporation's (FSLIC) final financial statements as of August 8, 1989. After losing $100 billion from 1984 through August 8, 1989, FSLIC has now closed its doors with an $87 billion capital deficit--the largest ever reported by a public or private corporation. These statements raise the important issue of how much money will be needed to resolve the savings and loan crisis.

In July 1989, the Office of Management and Budget (OMB) issued budget outlay projections from which we estimated that $257 billion would be needed over 33 years to pay off FSLIC's obligations, resolve the problems of institutions awaiting resolution, pay interest on the $30 billion in bonds the Resolution Funding Corporation (REFCORP) was to issue, and pay some administrative expenses.

Based on revised estimates of the net cash outlays needed for FSLIC's assistance transactions and for unresolved institutions, the Resolution Trust Corporation's (RTC) estimates of its administrative expenses and interest costs on borrowed funds, and our analysis of the actual interest costs for REFCORP bonds issued through January 1990, we estimate that at least $68 billion more, or a total of $325 billion, will be needed.

This $68 billion increase is allocated as follows.

-- $12 billion more for institutions that have received FSLIC assistance.

-- $13 billion more than the $50 billion provided for troubled institutions that RTC must resolve.

-- $10 billion for RTC administrative expenses.

-- $28 billion for interest on funds RTC borrows for working capital purposes.

-- Almost $5 billion in additional interest expense for the $9.5 billion in REFCORP bonds issued through January 1990.

This $325 billion estimate is a "least cost" estimate based on present conditions. The estimates of net cash outlays for institutions that received FSLIC assistance and institutions that had not been resolved as of August 8, 1989, are still subject to significant change. In particular, RTC's costs to resolve troubled institutions will likely be higher than estimated. Also, this estimate is still based on OMB's optimistic assumptions regarding interest rates for the remaining $20.5 billion in REFCORP bonds.

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) provided mechanisms to pay for the costs to resolve the crisis. FIRREA authorized Treasury appropriations to cover certain costs, such as those related to FSLIC's assistance transactions and REFCORP interest, not paid from other sources.

However, FIRREA only authorized $50 billion for RTC resolutions and administrative expenses. Therefore, we are recommending that the Chairman of the RTC Oversight Board, in consultation with the Chairman of the Federal Deposit Insurance Corporation (FDIC), develop proposals to provide the additional funds RTC will need.

We believe that it is vitally important to provide the taxpayers a complete and accurate accounting of the costs to put the savings and loan crisis behind us. We are, therefore, also recommending that the Chairmen of the RTC Oversight Board and FDIC jointly report at least semi-annually to the Congress on the total cash needs, net costs, and sources of funds necessary to cover FSLIC's obligations, RTC's resolutions, and related costs.

Although funding proposals must be developed, RTC should not delay resolution actions while they are being developed. It has funds available under FIRREA. RTC should begin to quickly resolve institutions to minimize the ultimate costs. We note that RTC has used a substantial amount of funds to replace high cost funds at conservatorships and to fund their liquidity needs. Although we appreciate the need for RTC's extended conservatorship program, we have some concerns about the management of conservatorships.

Other work we have done over the last several years points to the need for the Department of Justice to continue to pursue enforcement actions against those individuals who violated laws and regulations and thereby contributed to the massive losses of savings associations and the deposit insurance fund.

Our work also shows a need for required annual audits of insured institutions and reports on their internal controls and compliance with laws and regulations. We also believe that certain other steps should be taken to improve the quality of audits and to enhance the financial and other information that insured institutions submit to the regulators. Further, consideration should be given to augmenting auditing and on-site examination requirements for large institutions that, if they failed, would result in a significant loss to the deposit insurance funds.

Mr. Chairman and Members of the Committee:

We are pleased to be here today. You requested that we discuss the results of our financial audit of the Federal Savings and Loan Insurance Corporation's (FSLIC) final financial statements dated August 8, 1989. These statements sum up the known financial losses of the savings and loan industry crisis to FSLIC and are summarized in attachment I.

For the 7 plus months ending August 8, 1989, its last day of operation, FSLIC reported a net loss of over $13 billion. This loss is in addition to its $66 billion loss in 1988, and another $21 billion in losses it incurred from 1984 through 1987. After losing $100 billion since 1984, FSLIC has now closed its doors with a capital deficit of $87 billion--the largest ever reported by a public or private corporation. FSLIC's financial statements raise the important issue of how much money will be needed to resolve the savings and loan industry crisis which my testimony will address.

FUNDS NEEDED TO RESOLVE THE CRISIS

In July 1989, the Office of Management and Budget (OMB) issued budget outlay projections from which we estimated that $257 billion would be needed over 33 years to pay off FSLIC's obligations, resolve the problems of institutions awaiting resolution, pay interest on the $30 billion in bonds the

Resolution Funding Corporation (REFCORP) was to issue, and pay some administrative expenses.[1] This estimate was based on OMB's assumptions regarding future interest rates, the general state of the economy, and recoveries on assets of troubled institutions.

Based on our revised estimates of the net cash outlays needed for FSLIC's assistance transactions and for institutions that the Resolution Trust Corporation (RTC) must resolve, RTC's estimates of its administrative expenses and interest costs on borrowed funds, and our analysis of the actual interest costs on the bonds REFCORP issued through January 1990, at least $68 billion more, or a total of $325 billion, will be needed. (See attachment II.)

The $68 billion increase is allocated as follows.

-- $12 billion more for institutions that have received FSLIC assistance. In July 1989, OMB estimated that almost $56 billion would be needed during fiscal years 1989 through 1999 to pay for FSLIC's assistance transactions. Based on our review of FSLIC's assistance transactions, we estimated that about $68 billion would be needed during the same period for those transactions.

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[1] Financial Audit: Federal Savings and Loan Insurance Corporation's 1988 and 1987 Financial Statements (GAO/AFMD-90-34, October 31, 1989).

The increase is primarily due to (1) the value of assets being lower than originally estimated, and (2) guarantee payments being higher than originally estimated because assets are not expected to be sold as early as previously assumed.

-- $13 billion more than the $50 billion that the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) provided for troubled institutions that RTC must resolve. Based on our audit, we estimated that $63 billion would be needed to resolve the problems of 560 institutions with $277 billion in assets and negative tangible net worth of $31 billion. The increase is primarily due to higher estimates of expected continuing operating losses and to an increase in the number of institutions that will need to be resolved.

-- $10 billion for RTC administrative expenses. RTC estimates that its administrative expenses for 1990 alone could be as much as $1.6 billion. Based on that estimate, RTC's administrative expenses through December 31, 1996, the date FIRREA calls for RTC's termination, could be as much as $10 billion or more.

-- $28 billion for interest on funds RTC borrows for working capital purposes. In its January 1990 cash flow projection, RTC estimated that interest costs on $87 billion of borrowed funds would exceed $28 billion through fiscal year 1998. RTC's working capital needs, and the related interest costs, depend on numerous factors, such as the types of resolution actions used and the timing of recoveries from asset sales. Therefore, it is difficult to estimate how much working capital RTC may ultimately need.

-- Almost $5 billion in additional interest expense for the $9.5 billion in REFCORP bonds issued through January 1990. Most of this increase results from an additional 10 years of interest because REFCORP issued $5 billion in bonds with terms of 40 years instead of 30 years as OMB assumed. The rest of the increase was due to the average actual interest rate on the bonds exceeding the interest rate OMB assumed.

This $325 billion estimate is a "least cost" estimate based on present conditions. The estimates of net cash outlays for institutions that received FSLIC assistance and institutions that had not been resolved as of August 8, 1989, are still subject to significant change. In particular, it is highly likely that RTC's costs to resolve troubled institutions will be higher than $63 billion. The actual costs depend on various uncertainties, such as the extent of continued operating losses, the quality and value of the assets in assisted or troubled institutions, future interest rates, the potential effect of FIRREA, and the economic outlook for certain sectors of the economy. Also, our estimate of RTC resolution costs is based on 560 institutions. If more institutions require resolution, the costs will increase. Further, the $325 billion estimate is still based on OMB's optimistic assumptions regarding interest rates for the remaining $20.5 billion in REFCORP bonds.

ACTIONS NEEDED TO PROVIDE FUNDS

With costs running at least $68 billion higher than previously estimated, the question that has to be addressed is, "What needs to be done?" As discussed, the estimated net cash outlays required to pay off assistance agreements into which FSLIC entered have increased by $12 billion over OMB estimates for FIRREA. However, FIRREA included a mechanism to pay for all of FSLIC's obligations, which were transferred to the FSLIC Resolution Fund. The necessary funds will come from a variety of sources, including the remaining funds authorized by the Competitive Equality Banking Act of 1987; sales of assets in FSLIC receiverships; and insurance premiums assessed against savings institutions until the end of 1991 not needed by the Financing Corporation, REFCORP, or the new Savings Association Insurance Fund. Any additional funds needed are to be provided through Treasury appropriations.

Interest costs on the bonds REFCORP issued through January 1990 will be almost $5 billion higher than OMB assumed. However, FIRREA also included a mechanism to pay for REFCORP's interest expenses. The necessary funds will come from a variety of sources, including earnings on assets of REFCORP not needed to back the principal of the bonds it issues, liquidating dividends and payments RTC receives from receiverships not needed for resolutions, any proceeds from warrants and participations acquired by RTC, and up to $300 million per year from the Federal Home Loan Banks. To the extent the funds available from other sources are insufficient, Treasury is to pay the additional amount due.

On the other hand, FIRREA provided RTC $50 billion to resolve institutions placed into conservatorship or receivership between January 1, 1989, and August 9, 1992, and to pay administrative expenses. As previously discussed, RTC needs an additional $13 billion for resolutions, $10 billion for administrative expenses, and $28 billion for interest costs on working capital funds. Therefore, RTC's costs will likely exceed $100 billion.

Providing the shortfall between the $50 billion FIRREA authorized and the amount of funds RTC will need will require legislation. We believe that the Chairman of the RTC Oversight

Board, in consultation with the Chairman of the Federal Deposit Insurance Corporation, needs to develop proposals to deal with the current total shortfall for resolutions, administrative expenses, and interest costs on any working capital funds RTC borrows.

TREASURY'S SHARE OF THE COSTS

Based on OMB's July 1989 funding summaries, we estimated that Treasury's share of the $257 billion would be $139 billion. We cannot estimate Treasury's share of the $325 billion, other than to say that it will be higher than $139 billion. Decisions must be made regarding how to raise the additional funds RTC will need. Also, the administration has not revised its estimates of the amount of funds that will be provided from sources other than Treasury.

The taxpayers are having to pay billions of dollars to resolve this crisis. Therefore, it is vitally important that we provide them a complete and accurate accounting of all the costs to put this crisis behind us. However, responsibility for resolving troubled institutions, paying off FSLIC's obligations, and establishing a new insurance fund for savings institutions is spread among various entities and funds. No one entity is tasked with keeping track of the costs and how we are paying for them. Therefore, we believe that the Chairmen of the RTC Oversight

Board and the Federal Deposit Insurance Corporation need to jointly report at least semi-annually to the Congress on the revised total cash needs, net costs, and sources of funds to pay for FSLIC's obligations, RTC's resolutions, and related costs.

It should be noted that the estimated cost to resolve the crisis does not include any interest that Treasury would incur on funds it would have to borrow to provide its share of the total funds needed. The Congressional Budget Office and OMB consider general Treasury interest costs to be secondary program costs and they account for them at the aggregate level for all Treasury borrowing. They do not attribute Treasury's interest costs to any particular program. Clearly though, Treasury's interest costs will be substantially higher than they would have been if Treasury had not had to provide funds to resolve the savings and loan crisis.

COMMENTS ON RTC OPERATIONS

Although it is important to provide the additional funds RTC will need, RTC should not delay resolution actions while new funding proposals are being developed. RTC has funds available under FIRREA. Also, the issue of how to raise working capital is apparently resolved (through borrowing from the Federal Financing Bank). Therefore, RTC should have sufficient funds to start aggressively resolving the problems of institutions currently in conservatorship. In that regard, we should note that, to date, RTC has used a substantial amount of funds to replace high cost funds at conservatorships and to fund their liquidity needs. Delaying resolution actions, even when the institutions' cost of funds is reduced, is costly. Operating losses of insolvent institutions have significantly increased the cost of resolving troubled institutions. Therefore, it is imperative that RTC begin to quickly resolve troubled institutions to minimize the ultimate costs.

Nonetheless, we appreciate the need for and utility of RTC's extended conservatorship program. Indeed, under RTC's conservatorship program, partial liquidations are occurring prior to actual resolution. We do, however, have some concerns about the management of the conservatorships.

In testimony given earlier this week, we expressed concern about the turnover of managing agents in the conservatorships, the lack of guidance being given to RTC's regional offices and the conservatorships themselves on how best to "downsize" and manage institutions, and the lack of training for RTC managing agents.[2] We also expressed concern about the fact that RTC still has not finalized its plans and procedures for managing and disposing of assets.

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[2]Failed Thrifts: Resolution Trust Corporation and 1988 Bank Board Resolution Actions (GAO/T-GGD-90-29, April 2, 1990).

I would now like to change focus somewhat to discuss other issues we think should be addressed to deter a future problem of this magnitude. To do so, it is important to understand how so many savings institutions failed.

CAUSES OF SAVINGS ASSOCIATIONS FAILURES

The savings and loan industry has been experiencing severe financial difficulties since the early 1980s. In 1981 and 1982, the industry lost almost $12 billion in equity capital because extremely high general interest rates forced institutions to pay high interest rates to fund their operations. At the same time, they were encumbered with low-yielding, long-term loan portfolios. Also, regulators did not act decisively to close failed savings institutions. Instead, they reduced capital standards, allowed institutions to use accounting gimmicks to artificially inflate reported capital, and even granted forbearance from the relaxed capital standards.

During this same period, many institutions were allowed to diversify their investment activities into potentially more profitable, but risky, activities. Many of these activities were only economically viable if inflation in real estate values continued. When this did not occur, many institutions started to fail. In many cases, institutions which chose to diversify also had serious internal control deficiencies and failed to comply with laws and regulations. Thus, the risk of these activities was increased.

Our work on the causes of savings associations failures[3] showed that the regulators noted numerous and often blatant violations of laws and regulations at the 26 failed institutions we reviewed. For example, even before FIRREA, federal regulations limited amounts an institution could lend to one borrower. One regulation stated that outstanding loans to one borrower should not exceed, in the aggregate, the lesser of 10 percent of a savings institution's withdrawable accounts or an amount equal to the institution's regulatory capital. Another regulation limited the amount of commercial loans to one borrower to 15 percent of the institution's capital and surplus.

These regulations were designed to avoid situations in which an institution's financial condition is dependent on the financial viability of any single borrower. Twenty-three of the 26 institutions we reviewed violated the loans to one borrower regulations. In some cases, after examiners informed them that loans to some borrowers exceeded the limitations, institutions continued to lend more money to the same borrowers.

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[3]Thrift Failures: Costly Failures Resulted From Regulatory Violations and Unsafe Practices (GAO/AFMD-89-62, June 16, 1989).

The institutions we reviewed also engaged in underwriting practices which were not necessarily in violation of regulations, but were considered unsafe by examiners. For example, institutions lent to borrowers who had little or no equity in property or projects and lent amounts that equaled or exceeded the purchase price or the appraised value of collateral. In some cases, examiners noted that borrowers not only had no funds of their own invested, but also personally received a portion of the funds when the loans were made. These arrangements are referred to as "drag loans" because the borrower "drags away" part of the proceeds. Ultimately, much of the funds have been "dragged away" from FSLIC and the taxpayers.

During our review, we also found that indications of fraud and insider abuse were evident at all of the 26 institutions. For the institutions we reviewed, the former Federal Home Loan Bank Board had made 85 criminal referrals related to insiders and other improprieties which were believed to have contributed to the demise of the institutions. These referrals involved 19 of the 26 institutions we reviewed, and contained allegations of 179 violations of criminal law, including conspiracy, theft, embezzlement, willful misapplication of funds, and fraud.

During our review of FSLIC's 1988 assistance transactions, we also became aware of several allegations of misconduct. For example, examiners found that one acquired institution, in a series of transactions, loaned over $40 million to the cousin of the institution's Chairman of the Board of Directors. The amount lent to the cousin violated the loans to one borrower regulations. After receiving the loans from the institution, the cousin loaned the Chairman $250,000. This matter is now being investigated by the Federal Bureau of Investigation.

In another case, we found that, due to lax supervision, FSLIC may have been the victim of false submissions by an asset management contractor regarding the sale and repurchase of time-share units. We have referred information on this and other matters to the Department of Justice for further investigation.

The RTC Chairman has recently testified that about 60 percent of RTC-controlled institutions have been victimized by serious criminal activity. He said that RTC plans to have a staff of 300 investigators by the end of the year to help determine whether and what actions should be initiated against individuals who caused savings institution insolvencies through their negligent and reckless mismanagement, fraud, or criminal conduct. He noted that over 1,200 criminal referrals have been sent to the Department of Justice naming insiders, borrowers, or agents of RTC-controlled institutions.

We believe that additional investigation by law enforcement agencies will reveal further evidence of fraud and mismanagement. FIRREA authorized additional funds for the Department of Justice, increased civil and criminal penalties, and required Justice to establish a regional fraud office to address fraud and abuse that often accompanied the failures of savings institutions. Investigating these matters is an important task. It is essential for Justice, as the agency charged with criminal law enforcement, to investigate and prosecute those who have improperly benefitted from their activities. We must send a strong signal to directors and officers of insured institutions and to contractors with RTC and others that such practices will not be tolerated.

Accounting and Auditing Issues Need to Be Addressed

FIRREA included many needed reforms to prevent the abuses of the past from recurring. It increased capital requirements, limited the activities of insured savings institutions, and strengthened supervision and enforcement tools. Nonetheless, with all FIRREA's improvements to strengthen regulation and enforcement of insured institutions, I am concerned that some important accounting and auditing issues were not addressed. We are currently reviewing whether generally accepted accounting principles provide regulators with adequate early warning of institutions' financial difficulties. We will be reporting on that issue later this year. Today, I would like to discuss one issue that is vitally important to ensuring the success of FIRREA's reforms--improved auditing and on-site examination.

The federal government, as insurer of deposits, has a tremendous potential exposure to loss if it must honor those deposits, as it is now having to do for savings associations. But, in many cases, regulators and the deposit insurer lack the necessary financial and other information to assess institutions' financial condition and the adequacy of their internal controls and compliance with laws and regulations. Insured institutions must be required to provide better information in these areas. Therefore, we have recommended,[4] and continue to recommend, that insured institutions be required to undergo annual financial audits and issue management reports on the effectiveness of internal controls and their compliance with safety and soundness laws and regulations. To provide assurance on the validity of the management reports, we also recommend that, as part of the annual audit, auditors be required to review and report on management's assertions contained in its reports.

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[4]Thrift Failures: Costly Failures Resulted From Regulatory Violations and Unsafe Practices (GAO/AFMD-89-62, June 16, 1989); and Bank Failures: Independent Audits Needed to Strengthen Internal Control and Bank Management (GAO/AFMD-89-25, May 31, 1989).

In our March 7, 1990, response to the Treasury's request for comments on issues under its study of the deposit insurance system, we also supported establishing a closer working relationship between regulators and auditors of insured banks and savings associations. As part of the overall concept, we supported the following.

-- Reporting the results of any audit of an insured institution to the regulators.

-- Requiring regulators to share reports on an institution with its auditors, with exceptions to cover sensitive situations such as those involving litigation and ongoing actions or investigations.

-- Auditor participation in conferences with the regulators and the insured institutions. The responsibility should be on the regulator or the institution to request that the auditor attend meetings. Auditor participation in conferences should also be balanced with appropriate protection for the auditor from liability for disclosing information which might otherwise contravene any duties to the client.

We also supported the concept of authorizing auditors to communicate in good faith to the regulators information they became aware of in their capacity as auditors without being regarded as having contravened any duty to their clients. However, the institution should continue to be the regulator's primary source of information. The responsibility to provide the regulators with information should be placed on the auditor only when the institution fails to report the information or the auditor no longer has confidence in the institution's directors or senior management. In such situations, the auditor should first attempt to report the information through the institution's audit committee.

We also recommended to the Treasury that it consider in its study several other auditing and on-site examination improvements, including the following.

-- Requiring institutions to enhance disclosures on the risks and uncertainties facing them in their annual reports. Such information would help the regulators and others make better decisions on the areas of operations that deserve additional supervisory focus and on the continued viability of the institutions.

-- Requiring institutions to establish audit committees, which play an important role in preventing and detecting fraudulent financial reporting and overseeing internal controls. Members of an institution's audit committee should be independent in fact and appearance. Further, to provide a legal perspective on the application of laws and regulations and the relevant procedures to achieve compliance, institutions should be required to have at least one independent attorney on the audit committee.

-- Requiring mandatory peer reviews for all auditors of insured depository institutions. Peer reviews help ensure that auditors maintain high quality operations and adhere to professional standards.

-- Augmenting auditing and on-site examinations for money center banks and other large insured institutions which, if they fail, would cause a significant drain on the insurance funds. We proposed several options for further study and consideration, including allowing regulators to appoint an auditor to conduct a joint audit of the institution with the auditor appointed by the institution, requiring that the quarterly financial information submitted to regulators be reviewed by an auditor, and requiring more frequent, on-site regulatory examinations.

CONCLUSIONS

The American taxpayers are having to pay billions of dollars to resolve the savings and loan crisis. We owe it to them to vigorously go after those who helped cause the crisis. We also need to take whatever steps are necessary to prevent another crisis of this magnitude. Positive action to identify, correct, and prevent the internal control and compliance abuses of the past is crucial. At the same time, the RTC Oversight Board and the Federal Deposit Insurance Corporation also need to develop proposals to deal with the shortfall between the funds authorized by FIRREA to resolve troubled savings institutions and the funds that will be needed.

RECOMMENDATIONS

Based on our audit and review, we recommend that

-- the Chairman of the RTC Oversight Board, in consultation with the Chairman of the Federal Deposit Insurance Corporation, begin developing proposals to deal with the current total shortfall between the $50 billion FIRREA provided and the amount of funds RTC will need for resolutions, administrative expenses, and interest costs on any working capital funds RTC borrows; and

-- the Chairmen of the RTC Oversight Board and the Federal Deposit Insurance Corporation jointly report at least semi-annually to the Congress on the revised total cash needs, net costs, and sources of funds to pay for FSLIC's obligations, RTC's resolutions, and related costs.

Mr. Chairman, this concludes my prepared statement. I will be pleased to respond to any questions you or members of the committee may have.

Federal Savings and Loan Insurance Corporation
Summary Statement of Financial Condition
August 8, 1989 and December 31, 1988
(Dollars in billions)

	August 8, 1989	1988
Assets		
Cash and investments	$ 2.5	$ 3.7
Claims against assets acquired from closed institutions, net	5.8	5.9
Loans and other assistance to insured institutions, net	1.3	1.5
Corporate assets held for liquidation, net	1.3	1.3
Other	0.1	0
Total Assets	$ 11.0	$ 12.4
Liabilities		
Accounts payable and other liabilities	.2	.1
Notes payable to Federal Home Loan Banks	.8	.8
Notes and interest payable to insured institutions	19.6	20.3
Estimated liability for assistance agreements	22.0	22.6
Estimated liability for unresolved cases	55.2	43.6
Total Liabilities	$ 97.8	$ 87.4
Insurance Fund Reserves (Deficit)		
Capital in the Financing Corporation	7.5	5.9
Accumulated Losses	(94.3)	(80.9)
Capital Deficit	$(86.8)	$(75.0)

Source: GAO summary of FSLIC consolidated financial statements.

Federal Savings and Loan Insurance Corporation
Summary Statement of Income and Expenses
August 8, 1989 and December 31, 1988
(Dollars in billions)

	August 8, 1989	1988
Income		
Premiums	$ .6	$ 1.5
Interest income	.2	.3
Other	.1	.6
Total Income	.9	2.4
Expenses		
Administrative and other	.2	.2
Interest	1.1	.6
Provision for loss on claims against assets of closed institutions	0	2.8
Provision for loss on assistance transactions	1.3	38.4
Provision for loss on unresolved cases	11.7	26.4
Total Expenses	14.3	68.4
Net Loss From Operations	$(13.4)	$(66.0)

Source: GAO summary of FSLIC consolidated financial statements.

Minimum Funds Needed to Resolve The Savings and Loan Crisis

(All amounts in billions)

Estimate Based on OMB's July 1989 Funding Summaries:		
FSLIC Assistance Transactions	$ 56	
RTC Resolutions	50	
REFCORP Interest Expense	69	
Financing Corporation (FICO) Interest Expense	31	
Establish Savings Association Insurance Fund (SAIF)	9	
Post-RTC Resolutions	24	
Non-RTC Administration and Other	9	
Subtotal - Direct Funding Needs	248	
Lost Tax Revenues From FSLIC Transactions	9	
Total Based on OMB's July 1989 Estimates		$257[a]
Additional Funds Needed For:		
FSLIC Assistance Transactions	$ 12	
RTC Resolutions	13	
RTC Administrative Expenses	10	
Interest on RTC Working Capital	28	
Additional REFCORP Interest Expense	5	68[b]
Minimum Funds Needed		$325

[a]This estimate is based on OMB's estimates of the funds needed during fiscal years 1989 through 1999. However, funds will be needed in later years to pay interest on REFCORP and FICO bonds. OMB assumed that they would issue 30-year bonds. Therefore, our estimate included the entire amount of interest that would be incurred over the 30-year life of the bonds.

[b]These additional funds will be needed over different periods of time. Most of the funds ($63 billion) will be needed before the end of fiscal year 1999. The additional interest is primarily due to an extra 10 years of interest because REFCORP issued 40-year bonds instead of 30-year bonds.

Source: OMB July 1989 funding summaries and information from FSLIC, FDIC, RTC, and REFCORP.