

Letter from the Director

The U.S. economy and financial services industry have continued to experience unprecedented challenges during the first half of 2009. Soon after taking office, President Obama signed into law the American Recovery and Reinvestment Act of 2009, a sweeping piece of legislation designed to stimulate an economy buffeted by rising unemployment, tightening credit and liquidity, and declining real estate values.

In addition, in February 2009, the FDIC, along with the other federal financial regulatory agencies, announced the Financial Stability Plan, designed to restore confidence in U.S. financial institutions and stimulate the critical flow of credit to households and businesses. The plan includes a new Capital Assistance Program to help banks absorb potential future losses and support lending to creditworthy borrowers, and extends the FDIC's Temporary Liquidity Guarantee Program through October 2009. The plan also establishes a Public-Private Investment Program to facilitate the removal of up to \$1 trillion of problem assets from financial institution balance sheets and includes provisions designed to bolster the securitized credit markets that in recent years have supported a substantial portion of lending to consumers and small businesses.

This issue of *Supervisory Insights* provides a chronology of selected major events and developments that occurred in the financial services industry during a tumultuous 2008. Although the long-term effects are unclear, certain points of emphasis for bank supervisors are emerging, and "A Year in Bank Supervision: 2008 and a Few of Its Lessons" offers observations on areas of current and future supervisory attention.

A troubling result of the current serious problems in the nation's mortgage industry is the steadily increasing number of home foreclosures. To address concerns about possible preda-

tory lending practices, amendments to Regulation Z (Truth-in-Lending) and the Home Ownership and Equity Protection Act will take effect later this year. The article "Changes to Regulation Z Afford Increased Consumer Protections" previews the new requirements and looks at the practical implications for examiners and bankers.

Banks continue to look for ways to improve efficiency and attract customers, and this is especially important during the current economic downturn. More and more banks are offering Remote Deposit Capture (RDC) as an alternative to processing check deposits, and RDC appears to be a particularly attractive product for small- and medium-size business customers. Although RDC offers substantial benefits, including cost savings, this technology is not without risks. "Remote Deposit Capture: A Primer" describes the growing popularity of the product, identifies the risks, and provides an overview of risk mitigation techniques.

We hope our readers find the articles in this issue of *Supervisory Insights* timely and informative. If you have questions or comments about any of these articles, or if you have suggestions for other topics you would like to see considered for upcoming issues, please e-mail your feedback to SupervisoryJournal@fdic.gov.

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