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NEWS RELEASE

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Condition of Idaho Financial Institutions Continues to Reflect State's Economy

Despite Some Forecasts for Improvement in the Overall Economy, Financial Institutions Face a Challenging Year in 2010

Boise, Idaho …. Based on recently released national fourth-quarter financial performance statistics, Idaho-based financial institutions are not immune from the effects of the recession. Gavin Gee, director of the Idaho Department of Finance, reported that Idaho-headquartered commercial banks have experienced increased amounts of non-current loans and loan charge-offs, an increase in foreclosed real estate properties and, as a group, negative earnings for the year. In his budget presentation to JFAC this morning, Gee said, "Our Idaho financial institutions are caught in an economic upheaval that they did not create, one caused by a culture of risk carried out by large money center institutions, not traditional lenders like those we have in Idaho. Many properly underwritten and well-managed loans are not performing because of the adverse effect the economy has had on borrowers' repayment ability. Many of the borrowers are small businesses and those involved in local residential and commercial real estate, groups that have been among those hardest hit by the recession. Rising unemployment, sharply declining real estate values, and reductions in consumer spending have caused loan delinquencies and defaults to increase."

Community banks and credit unions are critical to the state's economic recovery. Gee said, "Last month, I joined Governor Otter, Lieutenant Governor Brad Little, Department of Commerce Director Don Dietrich, financial industry leaders and others at the Governor's Finance Summit where we discussed how to increase the availability of working capital for Idaho businesses. The Department is pleased to be working collaboratively with the Governor and other state agencies to advance the goals of Project 60. Many important recommendations were made to state officials at the Summit, which will be carefully studied for follow-up action. Small businesses create the majority of new jobs. Their ability to grow and flourish is largely dependent on the capacity of local banks and credit unions to lend them money. It's clear that having secure and solid financial institutions is critical to the Governor and our shared goals for job creation and economic opportunity."

Nationally, there were 140 bank failures and 31 credit union failures in 2009. The Federal Deposit Insurance Corporation (FDIC) lost more money in bank failures in 2009 ($36 billion) than it lost in the ENTIRE five-year banking crisis from 1987 through 1992 ($29.6 billion). And in 2010, despite forecasts for an improved overall economy by some economists, the number of bank failures is expected to double, with 16 already this year. "It is important to note", said Gee, "that despite these failures, no customer has lost one penny of their insured deposits." Idaho has been fortunate to have had only one bank failure in over 20 years – the closure of federally-chartered First Bank of Idaho, in Ketchum, last April. The Department of Finance continues to work very closely with all Idaho state-chartered banks and credit unions experiencing an increase in problem loans through more frequent examinations, monitoring and meetings with bank officials.

Despite the pressures on financial institutions, Gee stressed that there is no safer place for Idahoans to put their money than in an insured account at a bank, thrift, or credit union.

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