

The time line of the U.S. financial system

1777

The 13 Colonies have separate banking systems.
No currency standard among the colonies.
Government involvement in banking is not encouraged.

1791

The First Bank of the United States is created in Philadelphia

1811

The First Bank of the United States closes.

1831

Oxford Provident Building Association becomes the nation's first savings institution.
The first home is financed by Oxford Provident Building Association.

1863

The Civil War destroys the South's economy. The North's economy is good.

1864

The National Banking Act of 1864.
Creates national banks.
Dual banking begins.
Office of the Comptroller of the Currency (OCC) is created.
Bank examination begins.
The dollar becomes the national currency.

1865

People begin using checks.

1913

The Federal Reserve Act of 1913.
Creates the Federal Reserve System as the central bank.
Gives the Federal Reserve System the authority to regulate and supervise member banks.
Gives the Federal Reserve System the authority to collect and clear checks for banks

1920

The economy is growing fast.
Banks lend money for individuals to buy stocks.
Banks lend money for risky land development.

1927

MacFadden Act.
Allows national banks to create branches.

1929

The Stock Market crashes.
Farm prices fall.
Less steel is produced.
The start of the Great Depression.

1932

Many banks close.
People begin to take their money out of banks.
Unemployment is 25% (high).
Stocks lose value.
Federal Home Loan Bank Act of 1932.
Creates the Federal Home Loan Bank Board.
Creates the Federal Home Loan Banks.

1933

President Franklin D. Roosevelt temporarily closes all banks.
Many more banks fail.
Banking Act of 1933.
Establishes the FDIC as a temporary corporation.
Gives the FDIC authority to regulate and supervise some banks.
Gives the FDIC authority to provide deposit insurance to banks.
Does not allow banks to sell securities.

1934

January 1, FDIC offers deposit insurance of \$2,500.
July 1, FDIC raises deposit insurance to \$5,000.
FDIC has 3,476 employees.
Nine FDIC-insured banks fail.
The first FDIC-insured depositor is paid.
National Housing Act of 1934.
Creates the Federal Savings and Loan Insurance Corporation (FSLIC).

1935

Banking Act of 1935.
Makes the FDIC a permanent independent corporation.
Provides permanent deposit insurance.
Federal Credit Union Act of 1935.
Creates Federal Credit Unions.

1938

77 FDIC-insured banks fail.

1939

Banks become more profitable.
Fewer banks fail.

1942

War Powers Act gave the FDIC jurisdiction over the 4,100 Federal Credit Unions

1950

FDIC deposit insurance increases from \$5,000 to \$10,000.

1956

The Bank Holding Company Act of 1956

1960

FDIC's insurance fund is over \$2,000,000,000.

FDIC has about 3,000 employees. 2,500 are bank examiners.

Four FDIC-insured banks fail.

1962

No FDIC-insured bank fails.

1966

FDIC deposit insurance increases to \$15,000.

1969

FDIC deposit insurance increases to \$20,000.

1970

National Credit Union Administration is created.

1972

Savings and loan associations have a combined worth of \$17,000,000,000.

One FDIC-insured bank fails.

1974

FDIC deposit insurance increases from \$20,000 to \$40,000.

1975

Home Mortgage Disclosure Act of 1975.

Encourages banks and savings and loan associations to lend mortgage loans in low-income areas.

Tells banks and savings and loan associations to record the way they lend money.

1977

Community Reinvestment Act of 1977.

Tells banks and savings and loan associations to meet the credit needs of their community.

Tells the FDIC to examine non-member state banks for Community Reinvestment Act compliance.

1978

Financial Institutions Regulatory and Interest Rate Control Act of 1978.
Creates the Federal Financial Institutions Examination Council.
Creates rules for electronic funds transfer.
International Banking Act of 1978.

1980

85% of savings and loan associations lose money.
FDIC has 3,644 employees. 2,544 are bank examiners and 460 are bank liquidators.
Ten FDIC-insured banks fail. Total assets: \$236,000,000.
FDIC's insurance fund is \$11,000,000,000.
FDIC deposit insurance increases from \$40,000 to \$100,000.
Depository Institutions Deregulation and Monetary Control Act of 1980.
Allows savings and loan associations to offer checking-type accounts.
Allows savings and loan associations to issue credit cards.
Establishes loan loss reserve requirements.

1981

Tax Reform Act of 1981
Tax advantages were given to encourage real estate investment.
Mortgage rates are 21% (high).
Inflation is 14% (high).
Value of farmland drops.

1982

Depository Institutions (Garn-St Germain) Act of 1982.
Allows savings and loan associations to have up to 50% of assets in real estate development.
Allows savings and loan associations to have up to 30% of assets in consumer loans and corporate debt.
Allows savings and loan associations to own real estate development companies.
Allows savings and loan associations to offer money market deposit accounts.
Savings and loan association industry loses \$3,300,000,000 from January 1 to March 31.
Less-developed countries stop paying many of their United States bank loans.

1983

The FDIC turns 50 years old.
After 50 years, the FDIC still takes in more premiums (money) than it loses through failures.
48 FDIC-insured banks fail. Total assets: \$7,000,000,000.
The Office of the Comptroller of the Currency gives a record number of bank charters (new bank approvals).
Federal Home Loan Bank Board Chairman Edwin Gray testifies before the Senate Banking Committee that savings and loan associations are in financial trouble.

1984

The FDIC spends more money on bank failures than it receives in premiums.

79 FDIC-insured banks fail. Total assets: \$3,000,000,000.

Federal Home Loan Bank Board Chairman Edwin Gray testifies before the Senate Banking Committee that the savings and loan industry will be in a crisis.

1985

125 FDIC-insured banks fail. Total assets: \$8,700,000,000.

1986

Tax Reform Act of 1986.

Many tax incentives (breaks) of 1981 that encouraged real estate construction are removed.

Lawmakers propose a bill to recapitalize (rebuild) Federal Savings and Loan Insurance Corporation (FSLIC) with \$15,000,000,000. It is not approved.

Federal Home Loan Bank Board Chairman asks Congress for \$16,000,000,000 to recapitalize (rebuild) the Federal Savings and Loan Insurance Corporation (FSLIC). It is not approved.

138 FDIC-insured banks fail. Total assets: \$7,000,000,000.

1987

Competitive Equality Banking Act of 1987.

Gives \$10,750,000,000 to recapitalize (rebuild) the Federal Savings and Loan Insurance Corporation (FSLIC) over a three year period.

The General Accounting Office (GAO) finds the Federal Savings and Loan Insurance Corporation (FSLIC) insolvent by \$6,000,000,000.

Savings and loan associations lose \$30,000,000 per business day.

The FDIC monitors 1,575 problem banks. Total assets: \$358,500,000,000.

The FDIC holds \$18,300,000,000 in its insurance fund.

184 FDIC-insured banks fail. Total assets: \$7,000,000,000.

1988

223 Federal Savings and Loan Insurance Corporation (FSLIC)-insured savings and loan associations fail.

FDIC records a loss (loses money) for the first time.

200 FDIC-insured banks fail and 21 other require FDIC help. Total assets: \$35,700,000,000.

1989

The FDIC has about 8,000 employees before the Financial Institutions Reform, Recovery, and Enforcement Act is passed.

Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

Closes the Federal Savings and Loan Insurance Corporation (FSLIC).

Creates the Savings and Loan Insurance Corporation Resolution Fund. This fund is used to fix the savings and loan associations that failed before January 1, 1989.

Creates the Resolution Trust Corporation (RTC) as a temporary agency.

Gives the Resolution Trust Corporation (RTC) funding (money) to operate.
Says the Resolution Trust Corporation (RTC) must close by December 31, 1996.
Replaces the Federal Home Loan Bank Board with the Office of Thrift Supervision (OTS) to regulate and supervise savings and loan associations.
Gives the FDIC back-up supervisory authority over savings and loan associations.
206 FDIC-insured banks fail. Most of them are in Texas. Total assets: \$29,200,000,000.

1990

FDIC has 19,247 employees, including 4,899 Resolution Trust Corporation (RTC) employees.
FDIC insurance premiums increase from 8.3 cents to 12 cents per \$100 of deposits. This is the first increase since the FDIC was created.
Many people who had deposits in savings and loan associations put their money in mutual funds.
The Crime Control Act of 1990.

1991

FDIC has 22,586 employees, including 8,614 Resolution Trust Corporation (RTC) employees.
William Taylor becomes the 15th Chairman of the FDIC.
January 1, FDIC increases insurance premiums from 12 cents to 19.5 cents per \$100 of deposits.
July 1, FDIC increases insurance premiums to 23 cents per \$100 of deposits.
124 FDIC-insured banks fail. One out of every three are in the Northeast. Total assets: \$63,000,000,000.
FDIC monitors 1,090 banks that are in trouble. Total assets: \$609,800,000,000.
FDIC creates the Division of Resolutions to handle failed banks.
The General Accounting Office says that the Bank Insurance Fund (BIF) is insolvent by \$7,000,000,000.
The Federal Deposit Insurance Corporation Improvement Act of 1991.
Allows the FDIC to borrow \$30,000,000,000 from the Treasury to help rebuild the Bank Insurance Fund (BIF). FDIC must pay back the loan within 15 years.
Tells the FDIC to set premiums based on how risky the bank is.
Tells the FDIC to close banks in a way that uses the least amount of money from the Bank Insurance Fund (BIF).
Tells the Federal Reserve System that they should not lend money to banks that are in financial trouble.
The Resolution Trust Corporation (RTC) Refinancing, Restructuring, and Improvement Act of 1991.
Gives the Resolution Trust Corporation (RTC) an additional \$30,000,000,000 to clean up the failed savings and loan associations.

1992

Andrew "Skip" Hove becomes acting Chairman of the FDIC.
Resolution Trust Corporation (RTC) asks for more money to clean up the failed savings and loan associations. Congress does not approve.

Banks earn a profit of \$32,000,000,000.

The FDIC receives more money in premiums than it spends on bank failures. This has not happened since 1984.

From January 1, 1934, to December 31, 1992, the FDIC handled 2,095 bank failures. Total assets: \$246,700,000,000. That is more than \$11,000,000 per day for 59 years.

1993

Banks begin paying premiums based on how risky they are.

Commercial banks earn record profits

41 FDIC-insured Banks fail. This is the lowest number of failures in 12 years.

The Resolution Trust Corporation (RTC) Completion Act of 1993.

Gives \$18,000,000,000 to the Resolution Trust Corporation (RTC).

Says the Resolution Trust Corporation (RTC) should stop work on December 31, 1995 and transfer work to the FDIC.

1994

Ricki Helfer becomes the 16th Chairman of the FDIC. Mrs. Helfer is the first woman to head a federal banking agency.

Andrew "Skip" Hove is appointed for a second term as Vice Chairman of the FDIC.

13 FDIC-insured banks fail. Total assets: \$1,400,000,000.

Many banks merge.

Only 50 new bank charters (new bank approvals) are issued. This is the fewest since 1943.

The Bank Insurance Fund (BIF) grows by \$8,700,000,000 to \$21,800,000,000.

Riegle Community Development and Regulatory Improvement Act of 1994.

Riegle-Neal Interstate Banking and Branching Act of 1994.

1995

Total deposits in FDIC-insured banks exceed \$250,000,000,000.