

# BANK ADVISORY

**FBA Meeting**

September 24, 2008

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#### Dear clients and friends:

At a September 23 meeting in Tampa sponsored by the Florida Bankers Association, officials of federal and state bank regulatory agencies said liquidity and capital are their main concerns for banks in Florida. One major concern resulting from recent developments is that some banks' capital will be impacted when they take write downs on holdings of Fannie Mae and Freddie Mac preferred stock, which regulators consider permanently impaired.

Regulators noted that raising capital is becoming increasingly difficult for banks. They also said that some Florida banks' liquidity positions and liquidity contingency plans are not strong, in some cases due to increases in brokered deposits.

Regulators said they are working on establishing limits on the amount of brokered deposits banks may obtain. They feel that brokered deposits are not a good and stable source of liquidity. They have made brokered deposits a significant focus in examinations.

On Sept. 7, the federal government placed Fannie Mae and Freddie Mac in receiverships. Banks are among the major holders of those mortgage companies' preferred stock. On Sept. 23, regulators said they consider that other Fannie Mae and Freddie Mac securities are non-impaired at present. But they said that status could change. Regulators also said banks should review their holdings of Lehman Brothers' mortgage securities for possible impairment.

In addition, they warned that some banks are not preparing their impairment analysis of loans under the correct approach as suggested in an [Interagency Policy Statement](#) that federal bank regulators issued in December 2006. They added that in calculations on non-accrual loans, banks should focus on the strength of guarantors, collateral value and the quality of appraisals.

If you would like more details on the Florida Bankers Association's meeting with regulators, please do not hesitate to contact us at (305) 373-5500.

Sincerely,

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