Mark Craig

Director, Credit and Risk Management Department

Fourteen years of service

Since joining the Atlanta Fed in 1994, Mark Craig has never seen a year like 2008.

Craig's duties include cooperating with other financial regulatory agencies in resolving failed financial institutions in the Southeast. That duty has been rare: Only seven banks in the region failed from 2000 to 2007.

Then came 2008, when bank regulatory agencies shut down seven banks in the Southeast in a single year.

On the Friday before Thanksgiving, Craig worked long into the night after hearing from the Federal Deposit Insurance Corporation that a Georgia bank had failed. Craig's department lets the FDIC know what Fed services a failed institution received and what risk the Fed incurs, such as overdrafts on an institution's cash account with the Reserve Bank. Reserve Banks routinely allow banks to run overdrafts, usually only for a few hours, to keep the payment system functioning smoothly.

Banks also borrow from the Atlanta Fed's discount window, though that option is typically not available to severely troubled institutions.

The discount window is central to Craig's duties, never more so than in 2008. The Credit and Risk Department monitors the condition of some 2,000 southeastern depository institutions, including banks, savings and loans, and credit unions. Since these institutions are eligible to borrow through the discount window, Craig's unit tracks their creditworthiness.

Like helping to resolve the rare (until now) failed bank, managing the discount window has traditionally been an exercise in a comparatively low-volume facility. That's because banks historically viewed the discount window as a last resort to raise capital.

That view changed dramatically in late 2007 and through 2008. As financial institutions had an unusually difficult time obtaining funds through more common channels, the discount window was opened to more types of borrowers and offered more types of loans. Craig's team made discount window loans totaling $72 billion, far and away the most in a single year. By comparison, in 2007 they made loans worth $244.7 million. The Credit and Risk Department analyzed collateral for each of those loans and fielded phone calls from the borrowers.

Not only did loan volume soar, but terms also were extended from the traditional one-day loans to ninety days. "You have to do your homework because you don't want to have a loan out to a bank that appeared sound when the loan was made but then see its condition deteriorate within ninety days," Craig said.

Craig's team also administered an array of new Federal Reserve lending programs. For example, Credit and Risk staffers fielded calls from banks bidding on loans in the Term Auction Facility, through which the Federal Reserve lent about $150 billion every two weeks. Banks phoned in their bids, or the interest rate they were willing to pay. Atlanta Fed employees passed that information on to the New York Fed, which determined the winners and administered the loans.