

FDIC Office of Inspector General

In-Depth Review of Pulaski Savings Bank

Office of Audits

March 2026 | EVAL-26-01



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Executive Summary

In-Depth Review of Pulaski Savings Bank (EVAL-26-01)

March 2, 2026

What We Did

Our objectives were to (1) determine the cause(s) of Pulaski Savings Bank's failure and resulting loss to the Deposit Insurance Fund and (2) evaluate the FDIC's supervision of the bank, including the FDIC's implementation of the Prompt Corrective Action requirements of Section 38 of the Federal Deposit Insurance Act. We reviewed bank records, supervisory workpapers and examination results, the FDIC's Failing Bank Case, and FDIC policies and procedures. We also interviewed relevant FDIC personnel.

Impact on the FDIC

Key person risks present unique challenges to community banks. When key person risks are present, institutions should implement sufficient internal controls and establish succession management plans to mitigate these risks. Key person risk is often associated with the presence of a dominant official, whose incapacitation or loss may deprive the bank of competent management. Dominant officials may present inherent risk to bank safety and soundness and increased risk to the Deposit Insurance Fund.

What We Found

Pulaski Savings Bank's failure occurred primarily due to impaired capital. Specifically, the bank had deposit liabilities of at least \$20.7 million not accounted for in its core financial system. Since assets corresponding with these deposits were not identified, the subsequent recording of these previously unrecognized deposits exceeded the bank's equity capital, at which point, the bank became critically undercapitalized.

Consistent with Prompt Corrective Action provisions, the FDIC notified Pulaski Savings Bank that it was "critically undercapitalized" and required the bank to take actions necessary to increase capital. Ultimately, the Illinois Department of Financial and Professional Regulation determined that the bank was impaired, took possession, and appointed the FDIC as receiver.

The FDIC conducted its examinations in a timely manner and identified weaknesses in the bank's management since 2017. To address some of these concerns, in 2017, the FDIC established a memorandum of understanding with the bank. In 2020 and 2023, the FDIC updated the memorandum of understanding to reflect continued weaknesses identified at the bank. Additionally, in 2023, the FDIC downgraded the bank's management component rating due in part to the identification of key person risk.

The FDIC's supervisory actions at Pulaski Savings Bank over a period of 7 years sought to mitigate weaknesses in the bank's management, including certain key person risks in the most recent examination cycles. For that reason, we are not making a formal recommendation in this report. We do, however, encourage the Division of Risk Management Supervision to consistently consider the presence and impact of dominant officials as part of the examination process and designate officials as such when appropriate and in accordance with FDIC procedures and guidance. The FDIC had no comments on this report.



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In-Depth Review of Pulaski Savings Bank

OBJECTIVES

The objectives of the in-depth review were to (1) determine the cause(s) of Pulaski Savings Bank's failure and resulting loss to the Deposit Insurance Fund (DIF) and (2) evaluate the Federal Deposit Insurance Corporation's (FDIC) supervision of the bank, including the FDIC's implementation of the Prompt Corrective Action (PCA) requirements of Section 38 of the Federal Deposit Insurance (FDI) Act.

BACKGROUND

On January 17, 2025, the Illinois Department of Financial and Professional Regulation (IDFPR), Division of Banking, took possession and control of Pulaski Savings Bank and appointed the FDIC as the receiver. Pulaski Savings Bank was a state-chartered mutual savings bank that first became FDIC insured on August 9, 1989. Pulaski Savings Bank was a certified Community Development Financial Institution primarily focused on single family residential loans that operated from a single branch office location in Chicago, IL. The bank's funding largely came from local, core deposits.

According to the FDIC, the estimated loss to the DIF from Pulaski Saving Bank's failure was \$28,449,000 or 62 percent of the bank's \$45,919,248 in total assets. Between December 13, 2024, and January 17, 2025, the FDIC and IDFPR issued two interim rating changes and a notification of Prompt Corrective Action. Following these supervisory actions, the IDFPR took possession of Pulaski Savings Bank because FDIC and IDFPR examiners verified significant unresolved and unexplained discrepancies within suspense accounts as well as large deposits maintained off the bank's core system.¹

On June 2, 2025, we issued a memorandum on our Failed Bank Review for Pulaski Savings Bank and determined that an in-depth review was warranted due to the high estimated loss rate (62 percent) and the unusual circumstances surrounding the deposit liabilities of at least \$20.7 million not accounted for in the bank's core financial system.²

¹ Suspense accounts are temporary placeholders in financial records and are represented as assets or liabilities. Suspense accounts within general ledgers are temporary accounts that contain accounting uncertainties or discrepancies that need to be resolved. These temporary accounts are cleared once issues are resolved and funds are reassigned to their correct account.

² FDIC OIG, [Failed Bank Review – Pulaski Savings Bank, Chicago, IL](#) (REV-25-02) (June 2025).



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RESULTS

Cause of Failure and Loss to the Deposit Insurance Fund

Pulaski Savings Bank's failure occurred primarily due to impaired capital. Specifically, the bank had deposit liabilities associated with customer certificates of deposit of at least \$20.7 million not accounted for in its core financial system.³ Since assets corresponding with these deposits were not identified, the subsequent recording of these previously unrecognized deposits exceeded the bank's equity capital, at which point, Pulaski Savings Bank became critically undercapitalized for PCA purposes.⁴

The FDIC's Supervision of Pulaski Savings Bank

Since 2017, the FDIC conducted its examinations in a timely manner and identified weaknesses in the bank's management. To address some of these concerns, in 2017, the FDIC established a Memorandum of Understanding (MOU) with the bank. The FDIC updated the MOU in 2020 and 2023, to reflect continued weaknesses identified at the bank. Additionally, in 2023, the FDIC downgraded the bank's management component rating due in part to the identification of key person risk. Key person risk⁵ is often associated with the presence of a dominant official, whose incapacitation or loss may deprive the bank of competent management. While the FDIC prompted the bank to mitigate key person risks, it did not identify the Chief Executive Officer (CEO) of Pulaski Savings Bank as a dominant official consistent with examination guidance. When the FDIC identifies key person risks or dominant officials, examiners may conduct additional assessments of the segregation of duties and internal controls. Although the FDIC did not formally designate a dominant official, it identified key person risks and recommended corrective actions to address them.

The FDIC's Supervisory Actions

Between June 2017 and December 2024, the FDIC and IDFPD conducted eight joint safety and soundness examinations of Pulaski Savings Bank. During these examinations, the FDIC and IDFPD routinely identified weaknesses in the bank's management and board oversight and

³ A certificate of deposit is a savings account that holds a fixed amount of money for a fixed time period that earns interest from the issuing bank. When a certificate of deposit is redeemed, the bank pays the money originally invested plus any interest.

⁴ The FDIC deems a supervised institution "Critically Undercapitalized" if it has a ratio of tangible equity to total assets that is equal to or less than 2.0 percent. 12 U.S.C. 1831o; 12 C.F.R. § 324.403(b)(5)

⁵ According to the *Risk Management Manual of Examination Policies and Procedures*, a key person is any bank officer, regardless of title, who participates in major policy making functions of the bank and whose loss to the bank would be of consequence because of knowledge, experience, and related qualifications.



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provided Pulaski Savings Bank with Matters Requiring Board Attention (MRBA), as well as three MOUs.

Figure 1: Relevant Management Issues Identified During ROEs

Examination Cycle	Management Component Rating	Issues Identified Relevant to the IDR
2017	4	MRBA – Succession Planning MOU – Succession Plan & Board Oversight
2018	3	MOU – 2017 MOU still active
2019	3	MOU – 2017 MOU still active
2020	3	MRBA – Refers to MOU MOU – Board Oversight*
2021	3	MRBA – Refers to 2020 MOU MOU – 2020 MOU still active
2022	3	MRBA – Refers to 2020 MOU & Succession Planning MOU – 2020 MOU still active
2023	4	MRBA – Refers to 2023 MOU MOU – Board Oversight & Succession Planning**

Source: OIG analysis of Pulaski Savings Bank ROEs, MRBAs, and MOUs (2017-2023).

*2017 MOU updated and reissued to the Bank.

**2020 MOU updated and reissued to the Bank.

During the 2017 examination, examiners identified that the bank’s board of directors and senior management had not provided effective oversight of bank operations and the bank’s succession planning was weak, among other weaknesses. As a result, the FDIC and IDFPF included these weaknesses in the MRBA. In addition, the FDIC and IDFPF established an MOU with the bank highlighting these same concerns. Further, the management component rating was downgraded from “3 – Needs Improvement” to “4 - Deficient.”⁶

In the 2022 ROE, examiners identified, among other risks, that “key person risk [was] high” due to the limited staff and the amount of responsibilities concentrated in a few key employees. Of these responsibilities identified in the 2022 ROE, the CEO held the majority at Pulaski Savings Bank to include serving as a CEO, the Chief Financial Officer, and the Chief Credit Officer.

These duties included:

- Interacting with bank customers, regulators, and auditors;
- Maintaining financial statements and producing Call Reports;

⁶ The FDIC conducts bank examinations and assigns composite and component ratings based on a numerical scale from 1 to 5, with 1 indicating the highest rating, strongest performance and risk management practices, and least degree of supervisory concern. A 5 rating indicates the lowest rating, weakest performance and risk management practices, and highest degree of supervisory concern.



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- Completing Allowance for Loan and Leases Losses analysis;
- Preparing financial, liquidity, and asset quality reports;
- Discussing internal reports with the board during monthly meetings;
- Overseeing the audit tracking log;
- Accounting for problem loans; and
- Budgeting and strategic planning.

The FDIC and IDFPF sought to address this concern through MRBAs, which included succession planning and a reference to the 2020 MOU.⁷

The 2023 ROE further emphasized the concern over key person risk, noting that the CEO was a key person who was responsible for overseeing and/or performing numerous tasks involving every area of the bank. Assigned duties included, but were not limited to:

- Preparing financial statements;
- Filing Call Reports;
- Completing the credit loss analysis;
- Preparing various board reports;
- Ensuring internal audit concerns were addressed;
- Administering commercial and problem loans;
- Preparing board minutes;
- Serving as investment officer; and
- Conducting human resources administration.

FDIC examiners recognized in the 2023 safety and soundness examination report that “these duties appear[ed] to be excessive for any one individual.” According to the FDIC’s Failing Bank Case, the unplanned absence of the CEO during the 2023 examination revealed material concerns with the bank’s staffing levels and succession plan. As a result of the absence of the CEO, the bank was unable to provide necessary information to examiners. Example documents included:

- Allowance for Credit Losses analysis;
- Call Report workpapers;
- Committee minutes;
- Various interest rate risk reports;
- Audit Policy;

⁷ In 2020, the FDIC and IDFPF updated the 2017 MOU; however, despite actions taken by Pulaski Savings Bank, concerns regarding board oversight persisted.



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- Capital Plan;
- Board minutes; and
- Balance sheet and income statement account inventory and balancing.

The 2023 ROE also highlighted that board oversight remained inadequate. Specifically, it noted that board minutes were brief, handwritten, and did not reflect adequate review or discussions of all areas critical to properly supervising bank activities.

The bank experienced significant operational issues in 2023 due to the unplanned absence of the CEO and continued evidence of inadequate board oversight. FDIC and IDFPR examiners recognized the weakness of the bank's management and downgraded the management component rating from "3 – Needs Improvement" to "4 - Deficient." In addition, as noted above, FDIC and IDFPR examiners across multiple examination cycles recognized and reported in the ROE risks related to the CEO's multiple responsibilities and control over the bank's operations. Further, examiners recommended compensating controls in the form of informal corrective actions to improve succession planning and board oversight through MRBAs and MOUs. While the FDIC and IDFPR identified these key person risks, the examiners did not designate the CEO as a dominant official.

FDIC Guidance on Dominant Officials

The Division of Risk Management Supervision (RMS) *Risk Management Manual of Examination Policies and Procedures* (Examination Manual) defines a dominant official as a person who has material influence over virtually all decisions involving the institution's policies and operations.⁸ In particular, the Examination Manual identifies "material influence" as an indicator of the presence of a dominant official.

In addition, the Examination Manual explains that incapacitation or loss of the dominant official may deprive the bank of competent management, presenting key person risk. According to the Examination Manual, key person risk results when an institution is dependent upon a single, yet highly qualified official that is core to the operation of the institution.

Examiners should evaluate the effectiveness of compensating controls that protect the institution from the loss of the key person. Compensating controls include items such as key

⁸ On September 30, 2020, we issued a report on our [In-Depth Review of Enloe State Bank, Cooper, Texas](#) (EVAL-20-007). Our report communicated that FDIC examiners did not timely identify the existence of the bank President as a dominant official and the impact of the President's significant control over bank operations coupled with limited oversight by the Board of Directors. We recommended that the FDIC clarify criteria examiners should use to identify a dominant official. In response, the FDIC updated the Examination Manual.



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person life insurance, careful business-continuity and succession planning, and cross-training programs.

The Examination Manual further explains that examiners should not automatically view the presence of a dominant official negatively or as a supervisory concern. However, the presence of a dominant official coupled with other risk factors such as ineffective internal controls, inadequate board oversight, or high-risk business strategies irrespective of established board policies, are a supervisory concern and require enhanced supervision.

When examiners identify dominant officials, the Examination Manual requires them to take the following supervisory actions:

- Describe the related risks including the official's material influence and effect on the bank, the level of board independence and oversight, and the effectiveness of any mitigating controls;
- Include concerns about a dominant official in the MRBA and specify corrective actions to mitigate risks;
- Indicate a "Yes" in the Dominant Officer/ Policymaker line in the Summary Analysis of Examination Report;
- Consider how identified dominant official-related weaknesses might affect the institution when assigning component and composite ratings; and
- Address supervisory concerns with informal or formal corrective programs, when warranted.

Impacts of Key Person Risks and Dominant Officials

Key person risks present unique challenges to community banks due to the typically small number of employees. When key person risks are present, institutions should implement sufficient internal controls and establish succession management plans to mitigate these risks. Key person risk is often associated with the presence of a dominant official where the incapacitation or loss of that dominant official may deprive the bank of competent management.

According to the Examination Manual, a dominant official who is allowed to exert influence without restraint is a warning sign of potential problems at an institution. This influence, coupled with a lack of proper supervision and lack of effective internal controls, makes an institution especially vulnerable to fraud and insider abuse.

The Examination Manual further explains that dominant officials can limit the board's knowledge of daily management activities by controlling the flow of information and contribute to a lack of adequate oversight or effective challenge to bank management. Dominant officials may also



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ignore or circumvent internal controls and sound risk management practices. In these instances, dominant officials may present inherent risk to bank safety and soundness and increased risk to the DIF.

Consistent application of the dominant official designation by FDIC examiners is critical to effective supervision. When the FDIC identifies key person risk or dominant officials, examiners may conduct additional assessment of the segregation of duties and internal controls, which occurred in this case when the FDIC and IDFP identified the existence of key person risk.

Examiners Did Not Consider the CEO to Have Material Influence

Despite a history of weaknesses identified in the bank's management and designation of the CEO as a key person in the ROEs, FDIC examiners we interviewed did not designate the CEO as a dominant official because they did not believe that the CEO had material influence over the bank's operations. Instead, the FDIC recommended corrective actions to address risks related to a key person. According to RMS personnel, while the designation of the CEO as a dominant official was appropriate in hindsight, it would not have changed the FDIC's supervisory actions, which included the supervisory actions taken with respect to the identification of key person risk. According to the FDIC, the designation of the CEO as a dominant official in this case would not have had an effect on the supervisory actions discussed above. As noted in the Examination Manual, it remains important that the FDIC appropriately designate dominant officials. Based on the totality of the FDIC's supervisory activities for Pulaski Savings Bank, we are not making a formal recommendation. However, we encourage the Division of Risk Management Supervision to ensure that examiners consistently consider the presence and impact of dominant officials as part of the examination process and designate officials as such when appropriate and in accordance with FDIC procedures and guidance.

Compliance with Prompt Corrective Action

FDI Act, Section 38, *Prompt Corrective Action*, establishes a framework of mandatory and discretionary supervisory actions the FDIC must take for insured depository institutions that are not adequately capitalized. The purpose of Section 38 is to resolve problems of insured depository institutions at the least possible cost to the DIF. On December 23, 2024, the FDIC became aware that Pulaski Savings Bank had at least \$6.9 million in unresolved transactions.

On December 27, 2024, consistent with PCA provisions, the FDIC notified Pulaski Savings Bank that it was "critically undercapitalized" and required Pulaski Savings Bank to take actions necessary to increase capital.⁹ Ultimately, the bank was not able to meet the requirement of the

⁹ [FDI Act Section 38, Prompt Corrective Action](#)



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PCA, and on January 17, 2025, the IDFPR determined that the bank was impaired and took possession.

FDIC Comments

In response to a draft of this report, the FDIC informed us it had no comments.



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APPENDIX 1: OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

Our objectives were to (1) determine the cause(s) of Pulaski Savings Bank’s failure and resulting loss to the DIF and (2) evaluate the FDIC’s supervision of the bank, including the FDIC’s implementation of the PCA requirements of Section 38 of the FDI Act.

We performed our work from June 2025 through January 2026 in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Inspection and Evaluation*. These standards require that we plan and perform the evaluation to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our evaluation objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our evaluation objectives.

Scope and Methodology

The scope of our review focused on FDIC and bank records from 2017 through the bank’s failure in January 2025. We selected this time period because the FDIC downgraded the composite rating for Pulaski Savings Bank from a “2” to a “3” in the 2017 safety and soundness examination. To accomplish our objectives, we reviewed:

- Bank records, including internal audit reports performed by independent public accountants.
- Supervisory documentation, including workpapers, Reports of Examination, visitation memos, and MOUs.
- FDIC correspondence with the bank and examination workpapers located in the Regional Automated Distribution and Imaging System.
- Division of Resolutions and Receiverships’ Failing Bank Case.
- Regulations, policies, procedures, and guidance, including the RMS Manual of Examination Policies and Insider Fraud and Abuse Core Analysis Procedures.

In addition, we interviewed relevant RMS personnel responsible for conducting safety and soundness examinations during the period of our review. We obtained their perspectives on the FDIC’s supervisory approach and other examination-related information.

We also performed procedures to determine whether the FDIC had complied with relevant PCA provisions in Section 38 of the FDI Act.



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APPENDIX 2: ACRONYMS AND ABBREVIATIONS

CEO	Chief Executive Officer
DIF	Deposit Insurance Fund
Examination Manual	Risk Management Manual of Examination Policies and Procedures
FDI Act	Federal Deposit Insurance Act
FDIC	Federal Deposit Insurance Corporation
IDFPR	Illinois Department of Financial and Professional Regulation
MOU	Memorandum of Understanding
MRBA	Matters Requiring Board Attention
OIG	Office of Inspector General
PCA	Prompt Corrective Action
RMS	Division of Risk Management Supervision
ROE	Report of Examination



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