FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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FDIC REVISES FEE FOR CONVERTING TO THE BANK INSURANCE FUND

The FDIC announced today a revision to the "entrance fee" assessed when a federally-insured thrift institution's deposits convert from coverage under the Savings Association Insurance Fund (SAIF) to the Bank Insurance Fund (BIF). The fee primarily affects banks that purchase failed or failing savings and loan associations.

The fee is based on a set formula tied to the size of the BIF fund as audited by the General Accounting Office (GAO) and a calculation of total domestic deposits held by BIF-member banks as determined by the FDIC.

Under the formula adopted by the FDIC Board as part of an an interim rule in October 1989, the entrance fee has been 60 cents for every $100 of transferred deposits to be insured. Today, based on updated information from the FDIC and the GAO, the entrance fee is being changed to 54 cents for every $100 of transferred deposits. Deposit liabilities transferred from SAIF members to BIF members on or after today will be assessed entrance fees using the revised ratio.

The ratio used for calculating entrance fees is different than the ratio used to describe the reserves of the BIF fund, which is based on the level of insured deposits. At year-end 1989, the BIF fund had 70 cents in reserve for every $100 of insured deposits. In contrast, the entrance fee ratio is based on total domestic deposits at BIF institutions, which includes uninsured deposits.

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The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) created the SAIF fund to insure thrift institutions and imposed a five-year moratorium on switching membership from SAIF to BIF, with certain exceptions. One such exception is for a conversion involving a thrift in default or in danger of default. The law also requires the FDIC to charge an entrance fee for conversions in order to prevent dilution of the BIF fund resulting from liabilities being assumed.

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