PRESS RELEASE

Federal Deposit Insurance Corporation

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Media Contact:
Robert M. Garsson (202) 898-6993

FDIC RETAINS CURRENT BANK, THRIFT PREMIUMS

FOR IMMEDIATE RELEASE

The FDIC Board of Directors voted today to maintain existing premiums for banks and savings associations. The Board also approved a Memorandum of Understanding formalizing the FDIC's role as collection agent for payments on Financing Corporation (FICO) bonds.

Bank and Savings Association Premiums

The Board voted to retain the current assessment rate structure for the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF). Rates paid on BIF-assessable deposits will continue to range from 0 to 27 cents per $100, with the lowest-risk institutions paying only the statutory minimum of $2,000 per year. Premiums on SAIF-assessable deposits will continue to range from 23 cents per $100 to 31 cents per $100 per year, depending upon the institution's risk classification.

Favorable economic conditions in the banking industry and the growing financial strength of the BIF contributed to the Board's decision to keep the current BIF assessment structure intact. The BIF reserve ratio currently stands at 1.30 percent, well above its statutorily mandated level of 1.25 percent.

The reserve ratio is expected to remain above 1.25 percent throughout 1996 if losses and deposit growth stay within the normal ranges. The Board gave careful consideration to the possibility of an upward spike in BIF deposits due to deposit migration from the SAIF, but decided such a possibility did not warrant adjusting rates at the present time. The FDIC will carefully monitor deposit growth in the coming months.

The annual average assessment rate for BIF-insured institutions is expected to drop to 0.29 basis points with the current schedule in place.

Estimated annual revenues from the current schedule have declined from $104 million to $72 million as a result of more institutions moving into the lowest-risk classification. Currently, 93 percent of BIF member institutions are in that category.

The continued undercapitalization of the SAIF weighed heavily in the Board's decision to maintain the current SAIF assessment rates. On December 31, 1995, the SAIF had a balance of just under $3.4 billion and a reserve ratio of 0.47 percent of insured deposits, about $5.5 billion below the amount needed to meet the designated target reserve ratio of 1.25 percent of insured deposits. At the present pace and under reasonably optimistic conditions, the SAIF is not expected to meet its mandated reserve ratio until 2001.

While the thrift industry earned record profits in 1995 and the number of problem thrifts continues to decline, the Board concluded that the most prudent course is to maintain SAIF premiums at current levels. Among the developments threatening the stability of the SAIF are the disparity between BIF and SAIF premiums of about 23 basis points and the economic incentives this provides for SAIF-insured institutions to seek to shift SAIF-assessable deposits to the BIF in order to lower their premiums. Currently, 88 percent of SAIF insured institutions are in the FDIC's lowest risk classification.

Collection of FICO Assessments

In a Memorandum of Understanding approved by the FDIC Board, new quarterly collection procedures in effect since July 1, 1995, for the FDIC's collection of Financing Corporation assessments from SAIF-insured institutions were formally recognized.

The agreement formalizes the FDIC's responsibilities with respect to FICO assessment collections and recognizes the FDIC's role as collection agent. FICO assessments are still subject to approval by the FDIC's Board of Directors. The FDIC acknowledges that all FICO assessments it collects, including accrued interest, belong to the FICO and that assessments received quarterly by the FDIC will be transferred to the FICO, with the approval of the FDIC Board of Directors.