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Arguments In Support of Committee Print FDIC Debt Limit

S. 413 would limit the aggregate amount of FDIC notes and other obligations to 50 percent of the FDIC's net worth. The Committee Print would impose a more reasonable limit that would prohibit the FDIC from issuing notes or other obligations if they would cause the FDIC fund to fall into a deficit net worth position.

- The FDIC strongly favors a limitation on its ability to issue debt to prevent it from obligating general taxpayer funds.
- The Committee Print would prevent the FDIC from over-extending itself through the issuance of notes, yield maintenance agreements or other contingent obligations beyond its own resources to repay the debt.
- The provisions contained originally in S. 413 would be far too restrictive in limiting the FDIC's liabilities. For example, the FDIC now has assets of about \$22.7 billion and liabilities that already have been accounted for by reductions of \$8.6 billion in the FDIC's net worth . Thus the FDIC holds approximately \$14.1 billion more in assets than needed to satisfy all existing and expected liabilities.
- S. 413 would have limited the FDIC's liabilities to \$7 billion, an amount less than one-third the assets held by the FDIC and less than the FDIC's current liabilities. The FDIC, therefore, currently would fail to meet the debt limitations of S. 413 and thus would be placed under a constraint hampering its operational flexibility even though the insurance fund remains very solvent and adequate to handle any foreseeable contingencies.
- The FDIC must be able to act quickly in handling failed and failing institutions and be able to provide depositors prompt access to their funds in the event of a failure.
- The FDIC must have sufficient flexibility to issue notes or provide guarantees to acquirers of failed institutions in order to bridge the gap between liquidating assets and providing immediate protection to depositors. The debt limitation in the Committee Print provides that necessary flexibility, but also assures the FDIC will not "over extend" its funds and obligate taxpayer dollars.
- Without the necessary flexibility for quick, decisive action, the FDIC will be face with the dilemma of either delaying closings or not providing depositors immediate access to funds.