



PRESS RELEASE

Federal Deposit Insurance Corporation

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FDIC RETAINS EXISTING INSURANCE PREMIUMS FOR FIRST HALF OF 1998

FOR IMMEDIATE RELEASE

Given the favorable conditions facing depository institutions and their insurance funds, the FDIC Board of Directors voted today to maintain premium rates for banks and thrifts at their current low levels through the first half of 1998.

Risk-related assessment rates for both the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) will remain in the range of 0 to 27 basis points on an annual basis. Because the banking and thrift industries are generally quite healthy, this means most insured institutions will continue to pay nothing for their deposit insurance coverage, while the riskiest institutions will pay 27 cents for every \$100 of assessable deposits.

More than 95 percent of all BIF-member institutions are expected to be listed in the lowest risk category and to continue paying no premiums. Only one-tenth of one percent are expected to pay the highest rate of 27 cents per \$100. Therefore, less than five percent of the banks will pay premiums between the highest and the lowest rates. The average annual assessment rate is projected to be less than one-tenth of a cent per \$100 of assessable deposits (0.08 basis points).

The rate schedule approved by the Board is expected to maintain the BIF's reserve ratio (its reserves as a percentage of its estimated insured deposits) above the congressionally mandated 1.25 percent through June 30, 1998. The BIF reserve ratio was 1.35 percent as of June 30, 1997. That means the BIF has \$1.35 in reserves for every \$100 of insured deposits.



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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As for SAIF-member institutions, over 90 percent are expected to pay no premiums. The average annual assessment rate is projected to be approximately one-third of a cent per \$100 of assessable deposits (0.32 basis points), which is expected to maintain the SAIF's reserves above the mandated 1.25 percent ratio. The SAIF reserve ratio stood at 1.32 percent as of June 30, 1997.

A separate levy will be assessed on all FDIC-insured institutions to bear the cost of bonds sold by the Financing Corporation (FICO) from 1987-89 in support of the former Federal Savings and Loan Insurance Corporation. The 1996 law that capitalized the SAIF required banks to join thrifts in paying for FICO interest. However, the new law requires the FICO rate on BIF-assessable deposits to be one-fifth the rate for SAIF-assessable deposits until January 1, 2000, or earlier if the two insurance funds are merged.

The 1996 law makes the FDIC the collection agent for FICO. The FICO rates for the first half of 1998, which are subject to quarterly adjustment, will be determined later this month based on third-quarter 1997 financial information about to be reported by banks and thrifts.

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