PRESS RELEASE
Federal Deposit Insurance Corporation

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May 6, 1997

FDIC RETAINS EXISTING INSURANCE PREMIUMS FOR SECOND HALF OF 1997

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 end of the year.

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 in the second half of the year, while the riskiest institutions will pay 27 cents for every $100 of assessable deposits.

Approximately 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, just under five percent of the banks will pay premiums between the highest and the lowest rates. The average annual assessment rate is projected to be about one-tenth of a cent per $100 of assessable deposits (0.09 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 throughout 1997. The BIF reserve ratio was 1.34 percent as of December 31, 1996. That means the BIF has $1.34 in reserves for every $100 of insured deposits.

As for SAIF-member institutions, nearly 90 percent are expected to pay no premiums. The average annual assessment rate is projected to be approximately half a cent per $100 of assessable deposits (0.44 basis points), which is expected to maintain the SAIF's reserves above the mandated 1.25 percent ratio. The SAIF reserve ratio stood at 1.30 percent as of December 31, 1996.

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 second half of 1997, which are subject to quarterly adjustment, will be determined later this month based on first-quarter 1997 financial information about to be reported by banks and thrifts.

Last Updated 07/14/1999