

Statement by FDIC Chairman Jelena McWilliams on a Restoration Plan for the Deposit Insurance Fund

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In the 12 years since the onset of the 2008 financial crisis, the FDIC has steadily strengthened the Deposit Insurance Fund (DIF). Since the fourth quarter of 2009, the DIF balance and the reserve ratio have increased every quarter. This contrasts with the era before the 2008 crisis, when the FDIC's ability to increase the DIF balance was restricted by statute, and the total DIF balance in nominal terms at the end of the first quarter of 2008 was less than half of where it stands today.

In 2010, Congress increased the minimum reserve ratio to 1.35 and gave the FDIC until September 2020 to reach the minimum ratio. The reserve ratio has increased steadily and substantially since then. This trajectory has continued since I became Chairman, as the Board has reaffirmed its 2 percent target each year, and the reserve ratio passed 1.35 in 2018, two years ahead of schedule. Building up the DIF during good times through steady assessment rates is a critical aspect of responsible fund management.

During the first two quarters of 2020, the DIF balance continued to grow at a steady pace, and as of June 30 stood at a record \$114.7 billion. However, due to a confluence of factors related to the COVID-19 pandemic and governments' response to it, the banking industry has experienced an unprecedented surge in insured deposits. Solely as a result of this dramatic increase in insured deposits, the reserve ratio decreased from 1.41 percent to 1.30 percent as of the end of the second quarter.

The Federal Deposit Insurance Act requires the FDIC to establish a restoration plan any time the reserve ratio falls below 1.35 percent. The restoration plan must provide that the DIF will meet or exceed 1.35 percent within eight years.

In establishing a restoration plan, we explored a range of reasonable estimates of future insured deposit growth and future potential DIF losses. Based on these estimates, we project the reserve ratio would return to a level above 1.35 percent without any increase in the deposit insurance assessment rate schedule.

Of course, we are living in highly uncertain times, and these estimates are not predictions. As a result, as part of the restoration plan, we will closely monitor economic conditions, the health of the banking sector, and deposit growth trends, and FDIC staff will provide updates to the Board of Directors not less than semiannually.

The nation's banks have served as a source of strength to their local communities and to the national economy throughout this period of economic stress and uncertainty. The FDIC will continue to support the ability of banks to meet customer needs while also taking actions to promote financial stability, including maintaining a strong DIF balance and reserve ratio.

Thank you.