

Restoration Plan Semiannual Update

Last Updated: December 14, 2021

I would like to thank the staff for their diligent work in preparing this update to the DIF Restoration Plan.

As staff indicated, when the reserve ratio of the DIF falls below the statutory minimum of 1.35 percent, the Federal Deposit Insurance Act requires the FDIC's Board of Directors to adopt a restoration plan that would restore the DIF to the statutory minimum within 8 years.

As of June 30, 2020, the reserve ratio had fallen below 1.35 percent. As a result, on September 15, 2020, the Board adopted a Restoration Plan to restore the DIF to at least 1.35 percent by September 30, 2028. The reserve ratio stood at 1.27 percent as of September 30, 2021.

The only point I wanted to make today is that an 8-year projection such as this, particularly in the current environment, carries extraordinary uncertainty, as is acknowledged in the memo prepared by staff. As the staff memo also notes, "Future updates to the Board may include changes in assumptions that result in different assessment revenue needs. Consequently, in order to fulfill the statutory requirement that the reserve ratio returns to 1.35 percent before the end of the 8-year period, absent extraordinary circumstances, the FDIC may need to adopt higher assessment rates than those currently in effect."

I believe that is an important caution that the staff offers to which the Board will need to be attentive. Better to take prudent but modest action well in advance of the end of the 8-year period to increase the likelihood of compliance with the statutory requirement, than to delay and potentially be forced into more drastic measures.

I look forward to the next update on the Restoration Plan and will appreciate being presented with options that may increase the likelihood of compliance with the statutory requirement.

Thank you.