DIF Restoration Plan Semiannual Update

Last Updated: June 15, 2021

Due to extraordinary, unprecedented deposit growth during the first half of 2020, the Deposit Insurance Fund's (DIF) reserve ratio fell below the statutory minimum of 1.35% in 2020. This drop in the reserve ratio occurred despite steady growth in the DIF balance, which now sits at more than $119 billion, the highest level ever.

As required by statute, the FDIC implemented a restoration plan last year. The plan requires staff to monitor deposit trends, potential losses, and other factors that affect the reserve ratio; and update the Board at least semiannually on its analysis and projections for the fund balance and reserve ratio. Today, we heard the first such semiannual update of 2021.

As noted in the update, there are several reasons to expect that deposit growth may slow in the coming quarters, including improving economic conditions, the completion of the disbursement of federal stimulus checks, and the potential return of pre-pandemic spending and saving patterns. Banks have played a vital role in the economic recovery including, among other things, providing deposit services for the large influx of deposits associated with the emergency fiscal and monetary policy. At the same time, the banking sector remains strong, with robust levels of capital and liquidity, after serving as a source of strength throughout the pandemic last year.

As both deposit trends and potential losses are difficult to predict, staff will continue to monitor these and other factors. I appreciate all the work staff has done and their continuing close attention to these matters.