



PRESS RELEASE

Federal Deposit Insurance Corporation • Each Depositor insured to at least \$250,000

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Media Contact:
David Barr (202) 898-6992

FDIC ISSUES RECOMMENDATIONS FOR REFORM OF DEPOSIT INSURANCE

FDIC Chairman Donna Tanoue today released the agency's report on recommendations to reform the federal deposit insurance system, saying that the plan would enhance the safety and soundness of the banking industry and ensure that deposit insurance remains the anchor of public confidence in the banking system.

"The federal guarantee of insured deposits remains ironclad," said Chairman Tanoue. "The FDIC reform recommendations will ensure that insurance costs and benefits are spread over the banking cycle -- so that our insurance system does not hurt the availability of credit in our communities at times when Americans may need it the most."

According to the FDIC report, "Keeping the Promise: Recommendations for Deposit Insurance Reform," the current system distorts economic incentives for insured institutions, forces them to pay the highest premiums during the worst economic times, and fails to maintain the value of insurance coverage for depositors with smooth and predictable adjustments for inflation.

The FDIC, last year, made a commitment to send reform recommendations to members of Congress to consider, since these reforms would require statutory changes. Specifically, the FDIC made the following core recommendations:

- Merge the Bank Insurance Fund and the Savings Association Insurance Fund;
- Charge risk-based premiums to all institutions, regardless of the fund's size;
- Allow the insurance fund to build or shrink gradually around a target or range;
- Establish rebates that are based on past contributions to the fund; and
- Index insurance coverage to the Consumer Price Index to maintain its real value.



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.

FDIC press releases and other information are available on the Internet at www.fdic.gov, by subscription electronically (go to www.fdic.gov/about/subscriptions/index.html) and may also be obtained through the FDIC's Public Information Center (877-275-3342 or 703-562-2200). PR-27-2001

The FDIC recommendations are not intended to significantly alter costs for insured institutions; instead, they are designed to spread out the costs more evenly over time and more fairly across banks. The report emphasizes that the recommendations are interrelated and should be implemented as a package, because piecemeal implementation could introduce new distortions and aggravate the problems the recommendations are designed to address.

Attachment: Keeping the Promise: [Recommendations for Deposit Insurance Reform PDF File](#) (106 KB File - [PDF Help](#) or [Hard Copy](#))
