



PRESS RELEASE

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

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FDIC BOARD VOTES TO MAINTAIN PREMIUM RATES FOR BANKS FOR IMMEDIATE RELEASE

The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) today voted to keep the assessment rates charged to insured banks and savings associations unchanged for the first half of 2004.

Based on preliminary information, the FDIC estimates that the Bank Insurance Fund's (BIF) reserve ratio was 1.32 percent as of the third quarter, up from 1.29 percent as of June 30, 2003. Staff preliminarily estimates that the SAIF reserve ratio was 1.39 percent as of September 30, 2003, which is an increase from the June 30 ratio of 1.38 percent.

Despite a relatively favorable outlook for the economy and the banking industry, the FDIC projects that the reserve ratios for both its funds will decline over the coming year. The projected decline is due to expected deposit growth and the impact of stable or slightly rising interest rates on the securities portfolios of the insurance funds.

During today's meeting, board members discussed a number of issues affecting the way the agency manages the insurance funds, including accounting practices for the deposit insurance funds, statutory restrictions on refunds and rebates, and the negative implications of a fixed target for the reserve ratio.

Following the meeting, FDIC Chairman Donald Powell said, "Today's discussion highlights the fact that under current law the FDIC does not have the authority necessary to manage the deposit insurance funds in the most effective manner. Legislation pending in Congress to reform the deposit insurance system would address this issue."



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-105-2003

Staff's analysis regarding the current status of the funds, the intermediate term outlook for the economy and emerging risks to banking, and recommendations for the BIF and SAIF assessment rate schedules will be available on the FDIC's web site at <http://www.fdic.gov/deposit/insurance/risk/index.html>.