PRESS RELEASE

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FDIC Chairman Bair Delivers Remarks to the Johns Hopkins Carey Business School
Discusses Imminent Board Action to Finalize Rules on Temporary Liquidity Guarantee Program

FDIC Chairman Sheila C. Bair today delivered the keynote address to the Johns Hopkins Carey Business School. The address was part of the "Leaders and Legends" series, a monthly lecture series featuring influential business minds addressing topics of global interest and importance.

Chairman Bair discussed the FDIC's recent actions to guarantee newly issued senior unsecured debt of banks, thrifts, and certain holding companies, and providing full coverage of non-interest bearing deposit transaction accounts, regardless of dollar amount. Although this guarantee has been in place for debt issued after October 13th, the FDIC Board of Directors will be finalizing the rule on Friday, November 21st. Among other issues, the address also focused on the FDIC's loan guarantee proposal, a program that could help 1.5 million families avoid foreclosure.

Highlights from Chairman Bair's remarks: "As part of the new Stabilization Act, Congress temporarily raised the deposit insurance limit to $250,000. And on October 14, we announced the TLGP. The TLGP gives a 100 percent guarantee for eligible unsecured debt and a 100 percent guarantee for non-interest bearing transaction accounts, such as business payroll accounts. The purpose of the increase in the deposit insurance limit and the additional guarantees through the TLGP was to reinforce public confidence in banks and to preserve liquidity. We issued an Interim Rule on the TLGP on October 23 that was well received by the industry. We asked for and received many comments, which we have taken to heart.

"As a result of the comments, we'll be making several changes to the final rule, which will be voted on tomorrow by the FDIC's board, to provide greater certainty for investors. In particular, we will be acting to assure a prompt payment mechanism on the guaranty, as well as tiered pricing depending on the maturity of the guaranteed debt. Taken together, we are confident that these changes will create significant investor demand, and dramatically reduced funding costs for eligible banks and bank holding companies. I expect that the industry will take full advantage of this guarantee and that it will not only reduce funding costs, but provide longer maturities to secure a more stable liquidity base to support healthy and sustained lending."

"The guarantee on qualifying senior unsecured debt and on non-interest bearing transaction accounts is just as secure as our guarantee on other FDIC insured accounts. In the FDIC's 75 year history, no depositor has ever lost a penny of insured deposits. Ultimately, this is a guarantee that is backed by the full faith and credit of the United States Government. I also expect that the program will ultimately lead to lower credit spreads for the entire banking industry and more credit availability, which is what we need to get the credit markets back to normal."

"We'll accomplish this at no cost to the taxpayer or the deposit insurance fund. The TLPG is being offered under the systemic risk exception in our statute. Fees for the guarantee have been structured to cover our expected costs. However, in the unlikely event of a shortfall, the difference will be made up through a special assessment on all insured institutions, consistent with the procedure contained in our statute."

"As we said in an interagency statement last week, these efforts are designed to improve the functioning of credit markets and to strengthen capital in our financial system so that banks can continue to make prudent loans during these times of economic distress. These programs should get banks lending again to consumers and businesses. It is critical that lending increase where credit has contracted, such as mortgage lending, consumer credit, and small business lending."

"While it is clearly too early to declare the end of the financial crisis, as a result of the coordinated response of the Congress, the Fed, the Treasury, the FDIC and our counterparts overseas, we are making steady progress in returning money and credit markets to a more normal state. We need to give these programs time to work. The full impact of the TLPG will not be felt until after our rule is finalized tomorrow. However, this new program has the potential for infusing up to 1.4 trillion dollars of longer term, low-cost funding into the banking sector. This is stable funding that can expand credit availability as well as lower credit costs."

The full text of the speech is available at:http://www.fdic.gov/news/news/speeches/chairman/spnov2008.html