FDIC Cross Guaranty Provision

- The cross guaranty provisions in the Federal Deposit Insurance Act were enacted by Congress in the Financial Institutions, Reform, Recovery and Enforcement Act of 1989 (FIRREA). The bill was signed into law on August 9, 1989.

- The purpose of cross guaranty is to make every insured depository institution owned by the same company financially responsible for the failure or resolution costs of any affiliated insured institution. The provision lessens the cost to the FDIC's Deposit Insurance Fund.

- Generally speaking, the amount of the cross guaranty liability is equal to the estimated loss to the DIF for the resolution of the affiliated institution(s) in default.

- The FDIC will assess cross guaranty liability only where such assessment is determined to result in the lowest cost to the DIF. The FDIC's Board must approve the assessment of cross guaranty liability.

- The FDIC has assessed cross guaranty liability in approximately six cases since being given cross guaranty authority in 1989, all of which were in the early to mid 1990s.

Last Updated 10/30/2009